General Assembly
Official Records
Sixty-ninth Session
Supplement No. 5L

A/69/5/Add.12

United Nations Entity for Gender Equality and the Empowerment of Women

Financial report and audited financial statements

for the year ended 31 December 2013

and

Report of the Board of Auditors

United Nations • New York, 2014

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 2305-6363

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Letters of transmittal

Letter dated 30 April 2014 from the Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1202 of the United Nations Entity for Gender Equality and the Empowerment of Women, enclosed are the financial statements for the year ended 31 December 2013. These statements have been prepared and signed by the Director of Management and Administration.

(*Signed*) Phumzile **Mlambo-Ngcuka**
Executive Director

Letter dated 30 June 2014 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women for the year ended 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the year ended 31 December 2013, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV), the statement of comparison of budget and actual amounts (statement V), and the supporting statements and explanatory notes.

Management's responsibility for the financial statements

The Executive Director is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UN-Women as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with IPSAS.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UN-Women that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of UN-Women and legislative authority.

In accordance with article VII of the Financial Regulations of the United Nations, we have also issued a long-form report on our audit of UN-Women.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Chapter II
Long-form report of the Board of Auditors

Summary

By its resolution 64/289, the General Assembly established the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) by consolidating the existing mandates and functions of the Office of the Special Adviser on Gender Issues and Advancement of Women and the Division for the Advancement of Women of the Secretariat, as well as the United Nations Development Fund for Women, and the International Research and Training Institute for the Advancement of Women, to function as a secretariat and carry out operational activities at country level. The Board noted that UN-Women spent $264 million against total revenue of $289 million for the year ended 31 December 2013.

The Board of Auditors has audited the financial statements and reviewed the operations of UN-Women for the year ended 31 December 2013. The audit was carried out through field visits to the West Africa regional office in Dakar, multi-country offices and country offices based in Johannesburg, South Africa, Harare, Bridgetown, Rabat, Addis Ababa, Kampala, Abidjan and Yaoundé, as well as a review of the financial transactions and operations at its headquarters in New York.

Audit opinion

The Board issued an unqualified opinion on the financial statements of UN-Women for the year ended 31 December 2013. The Board's opinion is reflected in chapter I.

Overall conclusion

The review of the financial statements and operations of UN-Women in 2013 shows good financial health, with substantial current assets to meet the short-term maturing liabilities. The growth in voluntary contributions to UN-Women in 2013 and its current revenue mobilization initiatives and that the trend will continue even in future years has important implications on how the Entity manages its financial performance and financial sustainability, including how it meets the priorities of its individual donors.

The Board considers that the implementation by UN-Women of the International Public Sector Accounting Standards (IPSAS) in 2012 was a major achievement, with benefits such as comprehensive reports on its assets and liabilities. However, given its highly decentralized structure, UN-Women still faces challenges; in particular, improving systems, strengthening internal controls, and monitoring of its field-level activities, including advances disbursed to implementing partners to ensure timely liquidation and enhance the management of property, plant and equipment.

Key findings

Financial management

Recognition and disclosure of revenue

The Board noted that transactions totalling $1 million were recognized in the statement of financial performance for the year ended 31 December 2013 as revenue from voluntary contributions. This amount was a donor pledge of core voluntary contribution that had already been confirmed in writing in the financial year 2012. On the basis of the accounting policy of UN-Women on revenue, the amounts should have been recognized in the financial year 2012.

While UN-Women stated that it accounted for the revenue after receiving confirmation in April 2013, the Board noted an acknowledgement of the pledge dated 27 November 2012. The Board consider that there is need to enhance coordination and the flow of information between the Strategic Partnership Division and the Finance Section, owing to delays by the Division in uploading information into the accounting system after donor agreements are signed.

Asset management

Limited scope of inventory recognition

In its previous report (A/68/5/Add.13), the Board recommended that UN-Women establish a policy for accounting for inventory. While recognizing the positive action taken to implement the recommendation, the Board notes that the inventory policy and the guiding templates distributed to field offices for the year-end inventory certification restricted recognition of inventory to publications and/or printed materials only. UN-Women therefore disclosed an inventory balance of only $110,000 in its financial statements for the year ended 31 December 2013.

Although the Board did not visit the country offices at the end of the financial year, it considers that year-end closure instructions were not comprehensive enough to fully comply with the requirements of IPSAS 12. Also, while the inventory policy has been revised, UN-Women needs to review the chapter on asset management of the Programme and Operations Manual as well, to widen the scope for identifying and recognizing inventory. In addition, the incomplete inventory policy is in partial compliance with IPSAS 12.

Management of property, plant and equipment

The Board notes the progress made by UN-Women to improve asset management, for example, the introduction of additional physical asset verification guidelines. However, some assets were recorded in the register without serial and tag numbers or with identical tag numbers, making it difficult to identify or distinguish the assets for control purposes and which may result in incorrect recognition of assets in financial statements. In addition, 14 capital assets with a total cost of $98,276 equivalent to 37 per cent of all assets at the Ethiopia country office were not in the assets register, information in the Atlas system was not updated, and assets were recorded in the system without an indication of their costs.

The Board also noted cases of recurring recording errors, such as misclassifications, overcosting, grouping of assets, and incorrect capitalization of assets below the approved threshold. The recurrence of these deficiencies was caused mainly by the current procurement catalogue having predefined asset classes/categories that are not yet adequately customized to match the Atlas accounting charts. These weaknesses increase the risk of the misstatement of property, plant and equipment in the financial statements.

The errors, however, do not have an impact on the financial statements because management took positive actions to make adjustments.

Programme, project and trust fund management

Long-outstanding project advances

UN-Women reported total advances amounting to $42.6 million as at 31 December 2013. The Board notes that, of the total amount, $7.3 million (17 per cent) were not retired for more than a year after they were issued. This is contrary to paragraph 3 of the UN-Women Programme and Operations Manual, which requires retirement to be done within six months of the date of issue. Of the total outstanding amount, $5.3 million was issued to implementing partners and $2 million was issued to other United Nations agencies.

The Board is of the view that the long-outstanding advances indicate weakness in monitoring of the projects. They also increase the financial risk that funds may be utilized for unintended purposes without management detection. The delays may also affect the achievement of the strategic goals of UN-Women, as additional funds may not be released for completion of project activities as set up in the related project documents and workplans prior to accounting for the previous disbursements.

Procurement and contract management

Understaffing of the procurement unit and improper delegated procurement authority

The Board reviewed the procurement unit of UN-Women and noted that staff in user departments at the headquarters and field offices who do not possess procurement skills were conducting all procurement activities, without direct support from the procurement section. The procurement unit does not perform the whole procurement process; it only completes the process by reviewing documentation of the procurement process prior to approval. This stage of review misses out other important phases of the procurement process which are required by the Programme and Operations Manual, such as planning, requisition and requirements, sourcing of suppliers, and solicitation.

The Board also noted that during 2013, in the procurement unit there were only four officers against the six approved posts, who were responsible for reviewing all procurement processes for the issuance of contracts above $30,000. All procurements below $30,000 are approved by the head of the relevant procuring office, but are not reviewed by any procurement expert or specialist or the Acquisition Management Review Committee. In 2013, the Entity had over 10,000 contracts that fell below the threshold with a value of $88.3 million. Although the Board did not examine these transactions, in its views, the non-review of such a large volume of transactions by skilled staff might increase the risk of procurement-related frauds occurring and recurring without management detection.

In addition, the secretary to the Acquisition Management Review Committee, who has a procurement oversight role, is accommodated in the procurement section office. This creates a conflict of interest because of the sharing of resources and may have an impact on the independence of the Committee.

The Board is concerned that owing to the volume of procurement activities, oversight to the field offices carried out by the procurement section and the global procurement demand of UN-Women despite the intervention to increase the number of procurement staff from four to six during the year, that number of staff cannot effectively provide procurement services. The delegation of procurement activities to staff without the necessary skills increases the likelihood that resources will not be used in the most optimal way. Procurements are also not combined to achieve economies of scale. Full delegation of the procurement function to staff in user departments impairs internal control owing to inadequate segregation of duties.

Key recommendations

The Board has made detailed recommendations in the main report, but its main recommendations are that UN-Women:

Recognition and disclosure of revenue

(a) **Improve coordination and information flow between the Strategic Partnership Division and the Finance Section to ensure that concluded agreements/pledges are recognized in correct periods, in line with the revenue accounting policy;**

Limited scope of inventory recognition

(b) **Review its Programme and Operations Manual to match the requirements of IPSAS 12 and improve its year-end closure instructions to widen the scope of identification and recognition of inventory across the entity;**

Management of property, plant and equipment

(c) (i) **Review its current procurement catalogue by renaming the classes and categories of assets to avoid misclassifications in the Atlas system;** (ii) **Minimize errors by strengthening the asset management function in all 59 country offices through improvement of the internal check system; and** (iii) **monitor the information uploaded in the Atlas system and continuously review the asset reports prepared by each office;**

Long-outstanding project advances

(d) (i) **Enhance its monitoring of advances to implementing partners to verify the correct use of the funds and achievement of results and expected outputs; and** (ii) **identify problems and implement necessary corrective actions with its partners where there are long-outstanding balances at the end of the period (6 months for IPs and 12 months for Trust Fund grants), including recovery of such balances as deemed appropriate;**

Understaffing of procurement unit and improper delegated procurement authority

(e) (i) **Introduce a mechanism for ensuring that procurements below $30,000 are reviewed by a committee or an individual with procurement expertise;** (ii) **strengthen the capacity of the procurement unit to respond to organizational needs; and** (iii) **ensure that the secretary of the Acquisition Management Review Committee is independent from the procurement section so that the Committee can effectively discharge its oversight role.**

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the year ended 31 December 2013 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations (ST/SGB/2003/7 and Amend.1), as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly, in all material respect, the financial position of UN-Women as at 31 December 2013 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the financial regulations and rules of UN-Women. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the operations of UN-Women under financial regulation 7.5 of the United Nations and financial rule 1202 of UN-Women. The General Assembly also requires the Board to follow up on previous recommendations and to report accordingly.

4. The Board liaises with the internal audit unit in the planning of its audits to avoid duplication of effort and to determine the extent of reliance that could be placed on the latter's work.

5. The present report covers matters that the Board considers should be drawn to the attention of the General Assembly. The Board's report was discussed with UN-Women, and management's views have been appropriately reflected.

B. Findings and recommendations

1. Follow-up of previous recommendations

6. The Board noted that out of the 22 recommendations which remained outstanding as of 31 December 2012, 13 (59 per cent) had been implemented and 9 (41 per cent) were under implementation. Details of the implementation status of those recommendations are shown in the annex.

7. The recommendations under implementation concerned project closure in the Atlas system, validation of payroll, inventory, absence of risk management framework and policy and lack of risk register and deficiencies of procurement and contract management. As at the date of the present report, those recommendations are at various stages of implementation. While acknowledging actions taken, the

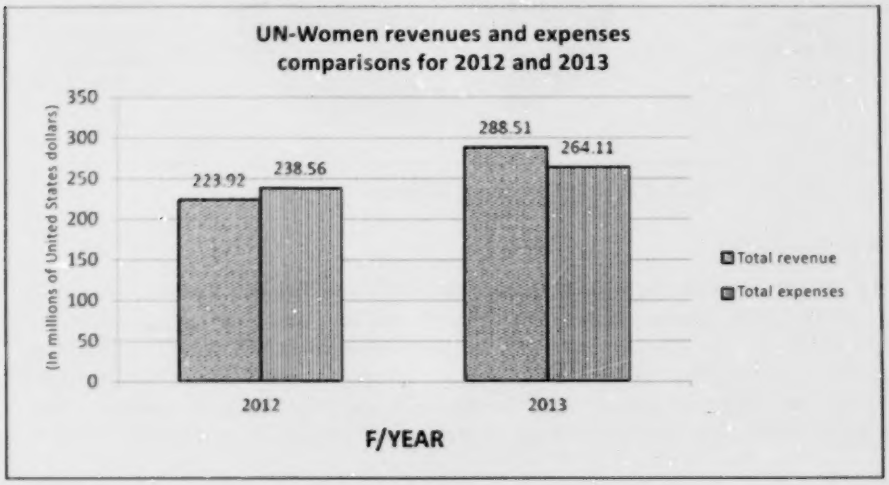
Board consider that UN-Women needs to finalize implementation of the long-outstanding recommendations.

2. Financial performance overview

Financial performance of UN-Women

8. During 2013, UN-Women had a total revenue of $288.5 million (2012: $223.9 million) and total expenses of $264.1 million (2012: $238.5 million), resulting in a surplus of $24.4 million in 2013. A comparison of revenue and expenses for the financial years 2012 and 2013 is shown in figure II.I.

Figure II.I
Financial performance pattern
(Millions of United States dollars)



Source: Board's analysis of 2012/2013 financial statements.

Sources of revenue

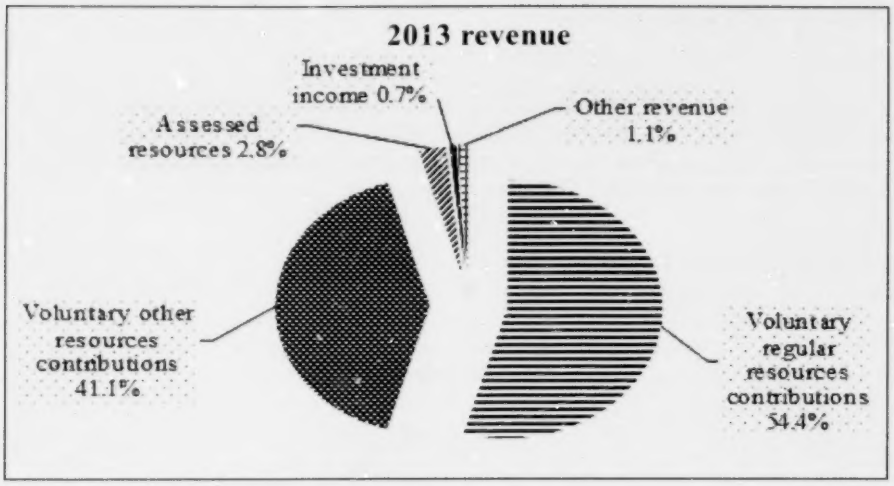
9. Of the total revenue of $288.5 million (2012: $223.9 million), voluntary contributions accounted for $283.4 million (2012: $218.8 million) as indicated in figure II.II, and comprised:

(a) Voluntary regular resources of $156.9 million, or 54.4 per cent, of all contributions (2012: $114.1 million, or 53.1 per cent), which are unearmarked and fund the operational requirements and projects and programmes of UN-Women;

(b) Voluntary other resources of $118.5 million, or 41.1 per cent (2012: $97.5 million, or 45.3 per cent), which are earmarked for specific programmes and projects of UN-Women;

(c) Assessed resources from the United Nations regular budget of $8 million, or 2.8 per cent (2012: $7.3 million, or 3.3 per cent), which fund the normative and intergovernmental work of UN-Women. The increase in voluntary contributions was a result of the resource mobilization strategy established in 2012 and positive donor support to UN-Women.

Figure II.II
2013 sources of revenue
(Millions of United States dollars)



Source: Board's analysis of 2012/2013 financial statements.

Ratio analysis

10. As at 31 December 2013, the net current assets balance was $277.6 million resulting from current assets of $312.7 million and current liabilities of $35.1 million. UN-Women thus had good short-term financial strength, with current assets exceeding current liabilities, after its efforts to settle most of its liabilities during the reporting period. UN-Women held sufficient cash to ensure a good liquidity position to meet current (short-term) maturing liabilities (table II).

Table II
Ratio analysis

Description of ratio	*31 December 2013*	*31 December 2012*
Current ratio[a]		
Current assets: current liabilities	8.9	4.1
Total assets: total liabilities[b]		
Assets: liabilities	4.7	3.5
Cash ratio[c]		
Cash + investments: current liabilities	7.2	3.2
Quick ratio[d]		
Cash + investments + accounts receivable: current liabilities	7.6	3.4

Source: UN-Women financial statements for the year ended 2013.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

11. The liquidity ratios are relatively high because UN-Women received significant contributions of $37 million towards the end of the year, and those were held in cash and investments as at 31 December 2013. As a result, there was a net increase of current assets of $22 million after settling current liabilities of $35 million.

3. Sustainability of services

Financial resource constraints

12. The UN-Women Programme and Operations Manual emphasizes the importance of developing partnerships for sufficient mobilization of both core and non-core resources. The field offices are required to establish effective partnerships and resource mobilization strategies guided by an action plan. In 2013, however, there was modest success in leveraging funding and establishing new partnerships with the private sector and therefore, the availability of core and non-core resources for programmatic activities remains a risk area. For instance, after failing to meet the 2012 budget, in 2013, UN-Women prepared a modest revenue budget of $300 million, but still collections fell short by $24 million (8 per cent).

13. The Board reviewed the report of the Executive Board of UN-Women on implementation of the strategic plan for 2013 and the report of the Executive Director dated 16 September 2013 for eight months ended 31 August 2013. The report details a self-assessment by UN-Women of resource mobilization, which indicated that the Entity is facing a medium to high risk of being unable to mobilize sufficient regular (core) and other (non-core) resources, as it is entirely dependent on voluntary contributions mostly from Member State governments. The reports indicate that as the Entity operates within an intensely resource-constrained environment, it is facing a risk of failure to achieve the goals and outcomes set out in its strategic plans.

14. Although in 2013 UN-Women managed to collect 92 per cent of its revenue budget, the Board is concerned that since voluntary contributions from traditional donors (governments) continue to be the main source of the financial resource base of UN-Women, it needs to improve its corporate capacity for building and maintaining donor relationships. This will assist the Entity to sustain its future plans and effectively deliver its mandate. The Board therefore, considers that UN-Women needs to further develop its resource mobilization capacity by adapting to the funding environment and needs to operate as cost-effectively as possible and demonstrate to donors that it delivers good value for money.

15. UN-Women informed the Board that the achievements in 2013 show significant improvement in resource mobilization owing to widening and deepening its partnership base. The number of Member States contributing to UN-Women in 2013 increased to 129 (11 per cent increase); 18 Member States increased their contributions; 12 new donors contributed to UN-Women for the first time; 13 Member States were returning donors; and 19 Member States gave multi-year pledges.

16. **UN-Women agreed with the Board's recommendation that it strengthen its resources mobilization activities by expanding and diversifying its resource base through: (a) strengthening and expanding partnerships with bilateral and multilateral donors; (b) developing regionally based fundraising expertise; and**

(c) approaching socially responsible private sector entities, women's groups and individuals.

Lack of business continuity and disaster recovery plan at field offices

17. The policies and procedures of UN-Women require each field office to develop, test and periodically review and update a local business continuity plan to ensure it is able to continue its critical routines during and after events, such as major power outages, natural disasters or terrorist attacks, or in the case of possible pandemic outbreaks.

18. The Board conducted compliance tests at six field offices to assess the reliability of the business continuity and disaster recovery plan and noted that of the six, three field offices did not have internal business continuity and disaster recovery plans. Those offices rely entirely on the business continuity and disaster recovery plan of the United Nations Development Programme (UNDP) to provide coverage for their operations. The Board also noted that UN-Women does not have focal persons at field offices to coordinate with UNDP for awareness of suitability, extent of coverage, new developments and assurance of the precision of the recovery system.

19. The Board considers that information technology is constantly susceptible to disasters, and therefore it is prone to high risks of loss of data. The Board is therefore concerned that the field operations are exposed to the risk of failing to fully recover in the case of emergency because of the lack of awareness of their responsibilities owing to overreliance on the UNDP business continuity plans.

20. UN-Women informed the Board that it acknowledges the need for business continuity and disaster recovery plans at the field offices and that its Security Office was in the process of developing a global business continuity programme which would define the overall corporate framework and field office level of business continuity plan implementation.

21. **UN-Women agreed with the Board's recommendation that ensure all its field offices (regional, multi-country and country offices) develop and implement their own business continuity and disaster recovery plan based on the relevant working environment and monitor their developments.**

4. Financial management

Preparation of financial statements

22. The financial regulations and rules of UN-Women provide for appropriate procedures to enable the Entity to prepare financial statements. Such procedures generally include the preparation of supporting schedules to allow management to review and validate the accuracy of the financial statements to ensure they were fairly stated and compiled in accordance with the stated accounting policies.

23. While UN-Women has procedures to support the preparation of its financial statements, the Board identified areas for improvement. The following are examples of deficiencies noted, but the Board considers that the areas for improvement, individually or in aggregate, are not material and do not affect the fair presentation of the financial statements for the year under review.

Long-outstanding payables and misclassification of expenses

24. The 2013 financial statements reflected a balance of "Other Liabilities" of $3.5 million. Of the total balance, the Board noted that $0.9 million were long-outstanding payables ageing more than 12 months as they fell due for settlement since 2011 and 2012.

25. UN-Women explained that it has an exceptional case where $726,700 could not be settled as they are still under negotiation with the respective debtors to determine the propriety of the claims, and that the amount of $102,300 was a late claim received from UNDP on 21 March 2014. Further, they explained that any justifiable claim will be settled in 2014.

26. The Board is of the view that the long-outstanding payables may jeopardize business relationships with suppliers. Also, UN-Women needs to observe its policy of settling liabilities according to age to avoid the risks of jeopardizing its credibility and its business relationship with suppliers.

27. Also, the Board noted other deficiencies, including:

(a) Over tated accrued expense by $0.054 million, which related to the software licences and software assurance fees for the periods 1 July 2013 and 30 June 2014 (financial year 2014) but were recognized and recorded in 2013;

(b) Improper classification of expenses and other transfers by expensing various amounts adding to $439,800 to grants. Also, $441,750 relating to gender equality were not properly classified in the respective expenditure codes within the grant ledger account;

(c) Incorrect recognition of voluntary contributions of $1 million as revenue in the statement of financial performance for the year ended 31 December 2013, while the amounts should have been recognized in the financial year 2012. UN-Women stated that it had accounted for the revenue after receiving confirmation in April 2013, but the Board noted that a pledge had been acknowledged on 27 November 2012 but was recognized in 2013. This was caused partly by the delays in uploading information into the accounting system after donor agreements were signed.

28. The Board is of the view that although the noted errors are not material, adequate procedures for preparation and review of the records could have detected the errors before finalizing the preparation of financial statements.

29. **The Board recommends that UN-Women: (a) recognize and account for components of the financial statements appropriately and pay its liabilities on the basis of age, in accordance with its debt settlement policy, to enhance its credibility and increase suppliers' confidence; (b) improve the procedures for review of accounting ledgers and supporting schedules to ensure that all expenses are classified and charged against the right budget items; and (c) improve coordination and information flow between the Strategic Partnership Division and the finance section to ensure that the concluded agreements/ pledges are recognized in the correct periods in line with its revenue accounting policy.**

5. Asset management

Limited scope on year-end inventory recognition

30. According to paragraphs 11 and 12 of IPSAS 12, inventories in the public sector may include: ammunition, consumable stores, maintenance materials, and spare parts for plant and equipment, other than those dealt with in standards on property, plant and equipment, strategic stockpiles (for example, energy reserves) and educational/training course materials.

31. In its previous report (A/68/5/Add.13), the Board recommended that UN-Women establish a policy for accounting for inventory. While appreciating the positive action taken by management to implement the recommendation, the Board noted that the inventory policy and the guiding templates distributed to the field offices for the year-end inventory certification restricted the recognition of inventory to publications and/or printed materials only. UN-Women, therefore, disclosed in its financial statements only $110,000 as inventory balance as at 31 December 2013.

32. Although the Board did not visit the country offices at the end of the financial year, it considers that the year-end closure instructions were not comprehensive enough to fully comply with the requirements of IPSAS 12.

33. UN-Women informed the Board that paragraph 4.3 of the chapter on asset management of the Programme and Operations Manual provides for inventory definition, guidance and annual physical count and states that if any UN-Women office believes that it holds inventory, it should contact a headquarters asset management specialist/associate.

34. The Board notes that while in 2013 the inventory policy was revised, paragraph 4.3 of the chapter on asset management of the Programme and Operations Manual, which complements the policy, was not modified to widen the scope for identifying and recognizing inventory. Therefore, the year-end closure instructions should have been comprehensive enough to indicate the extent of inventory recognition. The Board therefore, considers the likelihood that the field offices could not recognize any items other than those in the financial closure guiding templates.

35. The Board considers that there is a need for year-end instruction to be broadened to ensure that all inventories are reported by field offices. This would enable UN-Women to have better understanding of the extent of inventories held for better stewardship, logistics management and fair presentation of the financial statements.

36. **UN-Women agreed with the Board's recommendation that it review its Programme and Operations Manual to match the requirements of IPSAS 12 and improve its year-end closure instructions to widen the scope of identification and recognition of inventory across the Entity.**

Management of property, plant and equipment

37. In its previous report, the Board noted weaknesses in the management of property, plant and equipment and recommended that UN-Women design, implement and document additional procedures to improve the completeness and accuracy of recording property, plant and equipment in the asset management

system. The Board noted the progress made by UN-Women to improve asset management, for instance, the introduction of additional physical asset verification guidelines.

38. In 2013, however: assets of some $1 million were recorded in the register without indication of their serial and tag numbers; assets of $0.4 million had identical tag numbers; in five country offices information in the Atlas system was not updated with asset certification results/asset count information; and 57 of 172 assets (39 per cent) held in one country office were uploaded in the system without indication of their costs, hence the value of the reported assets was understated. The deficiencies led to difficulties in identifying or distinguishing the assets for control purposes and may result in incorrect recognition of assets in the financial statements.

39. The Board also noted cases involving recurring recording errors, such as misclassifications, overcosting, grouping of assets and incorrect capitalization of assets below the approved threshold. The deficiencies, therefore, increase the risk of misstatement of property, plant and equipment in the financial statements. However, the errors noted in 2013 do not have an impact on the financial statements because management took a positive action to make adjustments.

40. The Board considers that UN-Women is unable to fully comply with financial regulation 25.1 of its financial regulations and rules, which require effective and efficient management; because the deficiencies noted were caused by the current procurement catalogue, which has asset classes/categories that are predefined but which are not yet adequately customized to match the asset coding in the Atlas asset register. Also, the Board noted that the asset management function has only one asset management specialist and, therefore, the shortfall inhibits proper segregation of duties among asset certification, recording, review and approval.

41. UN-Women informed the Board that prior to the 30 June 2013 mid-year physical asset verification, headquarters had provided detailed instructions to the responsible business units to assist in updating the asset register; however, the current challenge is owing to the fact that there is only one staff who oversees all asset management activities.

42. The Board considers that the process of asset recognition during the preparation for IPSAS adoption was not consistently applied in the field offices, and that the controls established for asset recording, safekeeping, maintenance and disposal were not effectively monitored.

43. **UN-Women agreed with the Board's recommendation that it: (a) review its current procurement catalogue by renaming the classes and categories of assets to avoid misclassifications in the Atlas system; (b) minimize errors by strengthening the asset management function in all 59 country offices through improvement of the internal check system; (c) monitor the information uploaded in the Atlas system; and (d) continuously review the asset reports prepared by each office.**

6. Programme, projects and trust funds management

Lack of guidance on the audit of grant projects funded by United Nations trust funds

44. In 2012-2013, UN-Women developed guidelines for the audit of non-governmental organizations, Governments, and non-United Nations intergovernmental organizations projects following an extensive review of the approach used by other United Nations agencies. However, the Board noted that the grant projects funded by the United Nations trust funds to end violence against women and the Fund for Gender Equality were not covered in the guidelines. The assurance that management, and even the Board, should have over project expenditure depends in part on work performed by project auditors. The absence of proper audit guidelines for some of the funded projects increases the risk that there will be no adequate assurance on the projects concerned.

45. UN-Women informed the Board that the harmonized approach and terms of reference would be developed for the audit of grant projects, and that those guidelines and terms of reference were expected to be ready for implementation by all United Nations trust fund grantees effective 2014.

46. The Board acknowledges the efforts and recognizes that besides auditing, there are other assurance mechanisms, such as financial and programmatic monitoring reports or spot checks, but remained concerned that the lack of guidelines and terms of reference for audits of United Nations trust funds increases the risk of inadequate assurance to stakeholders on the use of project funds.

47. **UN-Women agreed with the Board's recommendation that it speed up the development of audit guidelines for obtaining assurance on monies spent for projects under the United Nations Trust Fund to end violence against women and the Fund for Gender Equality.**

Long-outstanding project advances

48. As at December 2013, UN-Women reported total advances amounting to $42.6 million. The Board noted that of the total advances, $7.3 million (16 per cent) ($5.3 million was issued to implementing partners and $2 million were issued to other United Nations agencies) were not retired for more than a year contrary to paragraph 3 of its Programme and Operations Manual on cash advances to implementing partners. The Manual requires retirement to be done within six months from the date of issue.

49. The Board is of the view that the long-outstanding advances increase the financial risk that funds may be utilized for an unintended purpose, without management detection. Consequently, the delays may lead to ineffective achievement of the strategic goals of UN-Women, as additional funds may not be released for completion of project activities as set up in the related project documents and workplans prior to accounting for the previous disbursements.

50. UN-Women informed the Board that mechanisms have been put in place to follow up outstanding advances; however, it appears that they have had little impact in reducing long-outstanding advances.

51. **UN-Women agreed with the Board's recommendation that it: (a) enhance its monitoring of advances to implementing partners to verify the correct use of the funds for achieving results and expected outputs; and (b) identify problems**

and implement necessary corrective actions with its partners where there are long-outstanding balances at the end of the period (6 months for implementing partners and 12 months for trust fund grants), including recovery of such balances as appropriate.

Delayed implementation of joint programmes

52. The UN-Women strategic plan emphasizes the importance of partnership with United Nations country teams to promote gender equality and women's empowerment. UN-Women participates in United Nations Development Assistance Framework action plans, "Delivering as one" programmes, and joint programmes as an important way of promoting gender equality and women's empowerment. UN-Women may also act as implementing partner or responsible party for another United Nations organization.

53. The United Nations Development Assistance Framework action plan, "Delivering as one" programmes and joint programmes are developed in accordance with United Nations Development Group guidelines. Their preparation and agreement involve country level appraisal processes. In the event that UN-Women is requested by another United Nations organization to act as a responsible party for a component of a joint programme, the procedures of the respective United Nations agency apply. The concerned UN-Women office actively participates in the formulation of the programme component to ensure overall programmatic quality.

54. The Board however, noted that two country offices, Zimbabwe and Côte d'Ivoire, had planned joint programmes with other United Nations agencies such as the United Nations Children's Fund, the United Nations Population Fund, the World Health Organization, the Joint United Nations Programme on HIV/AIDS and the Office of the United Nations High Commissioner for Refugees (UNHCR), with budget allocations of $3.29 million for the financial year 2013. According to the joint agreements, the projects were scheduled to be completed by 31 December 2013, but as at the time of audit in October 2013, none of the programmes had started.

55. The Board is concerned that the delays to the extent of failure to implement the joint programmes has a negative impact on the delivery of the mandate of UN-Women and its relationship with other country teams in promoting gender equality and the empowerment of women.

56. UN-Women informed the Board that in Zimbabwe, the commencement of implementation of the programmes had been delayed not by the country office but rather by the late signature of the cost-sharing agreements after the elections on 31 July and the delay in the disbursement of funds. UN-Women informed the Board that the difficulties in the implementation of the project funded by UNHCR in Côte d'Ivoire had been clarified between the two parties, and it had been mutually agreed to cancel the project and initiate a new partnership in 2014.

57. **UN-Women agreed with the Board's recommendation that it monitor and ensure that country offices, including in Zimbabwe and Côte d'Ivoire, fully utilize the committed funds and participate fully in joint programmes.**

Delayed financial closure of projects in the Atlas

58. The Board, in its previous report (A/67/5/Add.13, para. 101), recommended that UN-Women perform financial closure of all operationally closed projects within

12 months of operational closure. During the current period, the Board reviewed a sample of 194 projects (12 per cent) out of 1,592 projects on their status of budget and expenditure as at 13 May 2014. The Board found that although all sampled projects had been operationally closed as at 31 December 2011, they were not financially closed within 12 months contrary to the requirements of rule 1703 of the financial rules and regulations of UN-Women.

59. UN-Women stated that it was working through the financial closure of all 798 legacy projects, which were inherited from the former United Nations Development Fund for Women, and that of the total, 299 projects have had assets and liabilities already cleared. Also, in accordance with the report of the Secretary-General, the deadline for implementation of the 2011 audit recommendation regarding financial closure of operationally closed projects is 30 September 2014. UN-Women also informed the Board that it was providing updated guidelines to all project managers to ensure timely financial closure of projects in accordance with the financial regulations and rules.

60. The Board is of the view that delays in the financial closure of projects can result in delayed reporting to donors and can increase the risk that as accounts remain open, unrelated expenditure may be charged to closed projects. Also, the transfer of project assets to beneficiaries is delayed, and similarly the refunds or reprogramming of surplus funds is not done within the prescribed framework of 12 months.

61. **UN-Women agreed with the Board's recommendation that it continuously monitor and perform financial closure of all operationally closed projects within 12 months of operational closure as required by its financial regulations and rules.**

7. Human resources and payroll management

Delays in submission of travel claim forms

62. Section 5 of the duty travel chapter on settlement of travel advance (F-10) of the Programme and Operations Manual of UN-Women states that the travel claim is a post-travel report that the traveller is required to submit within two weeks from completion of travel.

63. In its review of travel management at the field offices in Barbados, Senegal, South Africa, Morocco and Cameroon, the Board noted that travel claims were being submitted beyond the allowable period of two weeks. The delays ranged between 15 to 114 days after the officers had returned from official trips.

64. UN-Women informed the Board that delayed submission of the F-10 form alongside the travel mission report was owing to the heavy workload of staff, and that management would put in place controls and a strong tracking process to ensure that travel claims were submitted within 14 days after return from travel.

65. While acknowledging the workload in the field offices, the Board views the non-completion of the forms as a non-compliance issue as it is not optional, and the time needed to fill the forms should not preclude other assignments.

66. **UN-Women agreed with the Board's recommendation that it set a timeline for developing a mechanism that would enable timely submission of travel claims as required by the Programme and Operations Manual, preferably by**

embedding a module in the automated system for timely submission of travel claims if it is found to be cost-effective.

Weaknesses in the management and use of special service agreements

67. Paragraph 1 of the chapter on special service agreements of the UN-Women Programme and Operations Manual states that a special service agreement is a legal instrument used for the procurement of services provided by a person engaged by UN-Women, in his/her individual capacity, to provide expert services, advisory services, technical skills or knowledge for the performance of a specific task or piece of work. The Manual restricts the use of the special service agreement for any other purpose.

68. The Board noted that in the field offices in Senegal and Cameroon, special service agreements were used to recruit individuals whose positions were required to be filled by persons with United Nations staff status, as the posts were continuing in nature and were not of consultancy or special service nature.

69. The Board considered that the failure to use the appropriate contractual modality is not only unfair to those performing the tasks (since some modalities do not provide additional benefits or annual leave), but can also lead to increased staff costs when compared with fixed-term appointments, as special service agreements are based at daily rates.

70. Also, the Board noted that two contracts with individual consultants at the Uganda and Morocco field offices were not in the approved procurement plan for the respective field offices. The Board acknowledges that sometimes circumstances would require unplanned procurement services, but that the procurement plan was not updated after those recruitments were made.

71. UN-Women attributed the inappropriate use of recruitment modality to the lack of funding to establish fixed-term appointment posts and stated that it was working closely with its field offices to ensure adherence to the existing guidelines on the engagement of consultants through special service agreements.

72. **UN-Women agreed with the Board's recommendation that it provide adequate support to the field offices in order to enhance staff capacities in procurement procedures, including the management of contracting individual consultants and contractors in line with the existing guidelines, and monitor their compliance.**

8. Procurement and contract management

Understaffing of procurement unit and improper delegated procurement authority

73. The chapter on contract and procurement of the Programme and Operations Manual, states that the procurement function starts from the stage of identification of needs, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration through the end of a contract for services, goods, contract completion and close-out.

74. The Board reviewed the procurement function of UN-Women and noted that user departments with no procurement skills at the headquarters and field offices were conducting all procurement activities without direct support from the Procurement Section. The Section does not perform the procurement activities, but

rather completes the process, only reviewing the documentation of the procurement process prior to approval. This stage of review misses other important phases of the procurement function, which are stipulated in the Programme and Operations Manual, such as planning, requisition and requirements, sourcing of suppliers and solicitation.

75. The Board also noted that although two more procurement staff were recruited in 2014, during the year under review the Procurement Section had only four staff against the approved six posts, who were responsible for reviewing the procurement processes for contracts above the threshold of $30,000. The Board further noted that all procurements below the threshold of $30,000 at the field, regional and Headquarters levels are approved by the head of the procuring offices, but are not reviewed by any procurement expert or specialist or the Acquisition Management Review Committee.

76. The Board noted that this is a weakness in the chapter on contract and procurement of the UN-Women Programme and Operations Manual, as paragraph 9.1 does not explain the procedure for review of minor procurements. During 2013, the Entity had over 10,000 contracts with a value of $88.3 million that fell below the threshold. Although the Board did not examine those transactions, in its view, the non-review by skilled staff of such a large volume of transactions might increase the risks of procurement-related frauds to occur and recur without detection by management.

77. In addition, the secretary of the Acquisition Management Review Committee, who has a procurement oversight role, is accommodated in the Procurement Section. This situation creates a conflict of interest, because the sharing of resources and the close relationship might jeopardize the independence of the Committee.

78. UN-Women informed the Board that in response to procurement needs, the two new posts of procurement specialist had been established in the third quarter of 2013. Also, the procurement function and the organization's spend profiles were under review to harmonize demand and the existing procurement resources. This is intended to expand the procurement structure at Headquarters or strengthen the regional procurement architecture and procurement capacity of field offices.

79. The Board is concerned that: (a) despite the intervention to increase the number of staff in the Procurement Section from four to six during the year, UN-Women has not yet established the required capacity and is not sure whether the current number can effectively meet the global procurement demands of the Entity; (b) the delegation of functions to unskilled staff increases the likelihood that optimization of resources may not be achieved, as procurements are not combined to gain the scale economies and the full delegation of the procurement function to the user department impairs the internal control is owing to inadequate segregation of duties; and (c) the lack of independent review might increase the risks of procurement-related frauds to occur without detection by management.

80. **UN-Women agreed with the Board's recommendation that it: (a) assess the capacity of the Procurement Section and ensure that it is able to manage the procurement function effectively across the Entity; (b) improve the provisions of the Programme and Operations Manual to include a procedure for the review of procurements below $30,000 that would facilitate a control measure, as well as an assurance process; and (c) ensure that the secretary of the**

Acquisition Management Review Committee is actually independent from the Procurement Section to effectively discharge the oversight role.

C. Disclosures by management

81. UN-Women made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud, and management is taking adequate investigative measures.

1. Write-off of losses of cash, receivables, and property

82. UN-Women informed the Board that, in accordance with regulation 21.1, losses of receivables and liabilities were written off in the amount of $32,800.

2. Ex gratia payments

83. UN-Women informed the Board that no ex gratia payments had been made in 2013, in accordance with regulation 20.6 of its financial regulations and rules.

3. Cases of fraud and presumptive fraud

84. During 2013, UN-Women had the following cases of fraud:

Description	*Remedial action*
In Africa, the Office of Investigation and Audit received allegations that a staff member was involved in procurement irregularities and had a conflict of interest in awarding contracts to a specified supplier.	The case was closed after preliminary assessment. The alleged staff member retired, and the contract in question had already been executed.
In Africa, the Office of Investigation and Audit received allegations of misappropriation of funds against a service contractor, resulting in a loss of $2,548.	The service contract ended in 2012 and was not renewed.
Pending cases	
In Africa, the Office of Investigation and Audit received allegations that some funds may have been misused by an implementing partner owing to lack of monitoring of the project. The amount involved was $65,000.	The matter will be investigated in 2014.
The Office of Investigation and Audit received allegations of procurement fraud at UN-Women headquarters concerning a contract with a vendor for an amount of approximately $600,000.	The case is under investigation.

D. Acknowledgement

85. The Board wishes to express its appreciation for the cooperation and assistance extended to its team by the Executive Director and her staff.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Annex I

Status of implementation of recommendations for the year ended 31 December 2012

	Summary of recommendation	*Paragraph reference (A/68/5/Add.13)*	*Financial period first made*	*Implemented*	*Under implementation*
1	The Board recommended that UN-Women (a) improve its project budget management and monitoring procedure to better monitor underspending on projects; and (b) address cause of delays in project implementation to ensure delivery on its mandate.	97	2010-2011	x	
2	The Board recommended that UN-Women perform financial closure of all operationally closed projects within 12 months of operational closure.	101	2010-2011		x
3	The Board recommended that UN-Women strive to complete the annual workplan approval process before the start of the performance cycle.	107	2010-2011	x	
4	The Board recommended that UN-Women expedite the process of filling posts at country and regional offices to have adequate staffing.	136	2010-2011		x
5	The Board recommended that UN-Women perform validation checks on its payroll information submitted to UNDP to ensure it is valid, accurate and complete.	140	2010-2011		x
6	The Board recommended that UN-Women regularly review its depreciation rates and useful lives to avoid having large number of assets fully depreciated but still in use.	16	2012	x	
7	The Board recommended that UN-Women conduct a review in 2013 of the funding of both after-service health insurance and repatriation benefits.	24	2012	x	
8	The Board recommended that UN-Women revisit the requirements of IPSAS 12 as a whole alongside with items kept at all offices to ensure full compliance with IPSAS.	30	2012		x
9	The Board recommended that UN-Women (a) improve the service-level agreement to accommodate the need for UN-Women to monitor the entire treasury services entrusted to UNDP; and (b) abide by the provision of the agreement by providing annual cash flow forecasts to UNDP to avoid any possibility of ad hoc cash requests that may necessitate interruption of investments owing to fund shortages.	36	2012	x	
10	The Board recommended that UN-Women develop risk registers at operational levels and a consolidated register at strategic level. The registers should include categories and the nature of threats which may adversely affect the delivery of its mandate and include possible mitigation strategies.	41	2012		x
11	The Board recommended that UN-Women (a) dedicate to a selected team the responsibility of approving annual plans; and (b) establish a clear timetable with target dates for completion of the preparation and approval of the strategic note/annual workplans in advance of the beginning of the performance cycle.	47	2012	x	
12	The Board recommended that UN-Women design, implement and document additional procedures to improve the completeness and accuracy of property, plant and equipment in the asset management system.	53	2012		x

	Summary of recommendation	*Paragraph reference (A/68/5/Add.13)*	*Financial period first made*	*Implemented*	*Under implementation*
13	The Board recommended that UN-Women (a) improve its procedures for the management of assets to ensure that all necessary records from acquisition, valuation, recording, accounting and disposal are adequately maintained; and (b) streamline its asset reporting procedures to ensure that the headquarters has adequate information and an appropriate mechanism for monitoring compliance with the property, plant and equipment policies and the requirements of the financial rules and regulations.	56	2012	x	
14	The Board recommended that UN-Women: (a) strengthen the system of project monitoring and evaluation to ensure milestones set in its strategic plans are achieved; (b) ensure that all project contracts are aligned to the provisions of the financial rules and regulations, manuals and policies.	60	2012	x	
15	The Board recommended that UN-Women ensure that delivery rates for its projects are as stipulated in the strategic plan 2011-2013.	67	2012	x	
16	The Board recommended that UN-Women: (a) ensure that the positions held by service contract holders are filled on a timely basis by personnel on staff contracts; (b) assess the current status of staffing at all levels and the impact on the performance of programmes and find a means of creating a database of prospective applicants who can be recruited to fill vacant posts in a timely manner; (c) institute a follow-up process for officers returning from official travels so that they submit travel claim forms within the specified time.	70	2012		x
17	The Board recommended that UN-Women review its procurement function and established delegations of authority. For instance, UN-Women may consider the case for categorizing procurements into strategic and operational requirements and make sure that the strategic acquisitions are processed centrally. The results of the review should also ensure that headquarters has adequate control over the budgeting, spending, monitoring and evaluation, and assurance of compliance with plans, rules and regulations as well as regular reporting.	75	2012		x
18	The Board also recommended that UN-Women consider the benefits of the provisions of Paragraph 4.4 of the UNDP Programme and Operations Policies and Procedures and include a liquidated damages clause in its contracts as required.	76	2012	x	
19	The Board recommended that UN-Women, in collaboration with UNDP, improve the communication procedures between the human resources office and the Argus system focal points to ensure that user accounts for the employees leaving the entity are disabled promptly. In addition, immediate measures should be taken to disable all dormant accounts.	80	2012	x	
20	The Board recommended that UN-Women institute mechanisms at entity level for controlling and monitoring the use of Atlas General Ledger codes (in particular codes 74605 and 71640) to avoid incorrect use or erroneous postings.	83	2012	x	
21	The Board recommended that UN-Women assess the level of capacity and capability required to effectively fulfil the internal audit function in relation to growth and its audit and advisory services requirements.	88	2012	x	
22	The Board recommended that UN-Women consider the results of audits conducted on its projects and work closely with implementing partners to address the weaknesses identified. Focus should be on implementing partners who have recurring negative reports.	92	2012		x
	Total	**22**		**13**	**9**
	Percentage	**100**		**59**	**41**

Chapter III
Certification of the financial statements

Letter dated 30 April 2014 from the Director of the Division of Management and Administration of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors

Pursuant to financial rule 1201 of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), I certify that, to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements for the year ended 31 December 2013.

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgements;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditors continually review the accounting and control systems;

The management provided the internal auditor with full and free access to all accounting and financial records;

The recommendations of the Board of Auditors and internal auditors are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by the United Nations Development Programme to UN-Women, as per the service level agreements currently in force.

(*Signed*) Giovanie **Biha**
Director
Division of Management and Administration
United Nations Entity for Gender Equality
and the Empowerment of Women

Chapter IV
Financial report for the year ended 31 December 2013

A. Introduction

1. The Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) has the honour to submit the financial report for the year ending 31 December 2013, together with the audited financial statements and the report of the Board of Auditors. This submission is made in compliance with regulations 12.1 and 26.2 of the Financial Regulations and Rules of UN-Women. The annual financial statements cover all the resources for which the Executive Director is responsible.

2. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and were transmitted to the Board of Auditors on 30 April 2014. The Advisory Committee on Administrative and Budgetary Questions has received UN-Women 2013 Financial Statements as required by financial rule 1202. The Board of Auditors has given its opinion and report on the 2013 financial statements, both of which are also submitted to members of the Executive Board.

3. The pursuit of gender equality, women's rights and women's empowerment is a prerequisite and driver for human rights, development and peace. UN-Women has completed its third year of operating as a composite entity since its creation by the General Assembly in resolution 64/289. The General Assembly, the Economic and Social Council and the Commission on the Status of Women provide guidance for the normative functions of UN-Women; the General Assembly and the Executive Board provide guidance for the Entity's operational activities; intergovernmental resolutions and decisions set the women and peace and security agenda for UN-Women and the United Nations system.

B. Resource mobilization and funding status

4. Since inception in 2011, UN-Women has remained under-funded, and resource mobilization is an organizational priority. Resource mobilization targets were articulated in the Entity's first strategic plan for 2011-2013 and established in the institutional budget for 2012-2013 at the level of $700 million. For 2013, the resource mobilization budget was set at $400 million, divided equally between regular resources (unearmarked/core) and other resources (earmarked/non-core).

5. UN-Women is funded mainly by voluntary contributions (over 97 per cent in 2013), comprising regular resources and other resources to finance its operational activities. Assessed contributions (less than 3 per cent in 2013) are received from the United Nations Secretariat to contribute to the normative functions of UN-Women.

6. Voluntary contributions in 2013 comprise $156.9 million in regular resources and $118.5 million in other resources. The comparison of actual 2013 revenue against budget indicates a shortfall of $124.6 million. Similarly, in 2012, actual revenue of $211.5 million compared with the budget of $300 million resulted in a shortfall of $88.5 million. For the 2012/2013 biennium, this represents a funding gap of actual revenue against budget of $213.1 million.

7. UN-Women focused efforts in 2013 on widening and deepening its partnership base. The number of Member States contributing to UN-Women in 2013 increased to 129 (11 per cent increase); 18 Member States increased their contributions; 12 became donors to UN-Women for the first time; 13 Member States were returning donors who had provided resources in 2011 but not in 2012; and 19 Member States gave multi-year pledges.

8. In 2013, UN-Women received regular resources of $156.9 million compared to $114.1 million in 2012, which is a significant increase of $42.8 million. The June 2013 pledging event held at the annual session of the Executive Board also proved to be a successful catalyst with Member States challenging each other to contribute increased annual and multi-year core contributions.

9. To secure the Entity's cash inflows, payments from Member States are requested early in the financial year so that operations funded by regular resources can be effectively implemented. For programme activities funded by other resources, timely payments by Member States will ensure that project implementation can commence as planned.

10. Resource mobilization and fundraising activities continue to be intensified, guided by a strategic partnership and resource mobilization strategy that: (a) targets traditional and non-traditional donors, including the private sector and foundations; (b) builds partnerships and access to donor funds at the programme country level; (c) widens and deepens the donor base, including encouraging multi-year pledges to enhance the sustainability and predictability of regular resources funding; and (d) utilizes diverse communications platforms to broaden outreach to the general public.

11. UN-Women appeals to all its stakeholders to contribute an appropriate level of resources which enables the organization to deliver on its mandate.

C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2013

1. Updated strategic priorities

12. UN-Women presented to the Executive Board, at its second regular session in September 2013, the strategic plan 2014-2017 (UNW/2013/6) and integrated budget 2014-2015 (UNW/2013/7). UN-Women also presented to the Fifth Committee at its sixty-eighth session in November 2013 the regular budget 2014-2015 to support its normative and intergovernmental work.

13. The strategic plan 2014-2017 builds on the programmatic priorities of the strategic plan 2011-2013, which are: (a) women lead and participate in decision-making at all levels; (b) women, especially the poorest and most excluded, are economically empowered and benefit from development; (c) women and girls live a life free from violence; (d) peace and security and humanitarian action are shaped by women's leadership and participation; (e) governance and national planning fully reflect accountability for gender equality commitments and priorities; and (f) a comprehensive and dynamic set of global norms, policies and standards on gender equality and women's empowerment is in place and is applied through action by Governments and other stakeholders at all levels.

14. There are four operational effectiveness and efficiency priorities: (a) drive more effective and efficient United Nations system coordination and strategic partnerships; (b) institutionalize a strong culture of results-based management, reporting, knowledge management and evaluation; (c) enhance organizational effectiveness, with robust capacity and efficiency at the country and regional levels; and (d) mobilize and leverage adequate resources.

15. Coordination remains fundamental to achieving results and is mainstreamed across the strategic plan results framework. As a result of the implementation of the United Nations system-wide action plan, in 2013 62 United Nations entities reported on the implementation of the gender equality marker.

16. In March 2013, UN-Women achieved a historic milestone to end violence against women and girls with the successful conclusion of the fifty-seventh session of the Commission on the Status of Women.

2. Strengthened field presence

17. UN-Women has completed the implementation of the regional architecture approved by the Executive Board in November 2012 and has established 6 regional offices, 6 multi-country offices and close to 50 country offices. Senior, experienced regional directors were appointed for each regional office. Organization-wide, critical business processes around operations, programme implementation and management were simplified. Country offices were significantly strengthened and became better able to support national governments and the United Nations system with increased capacity, training and delegation of authority.

18. It is pleasing to note the closer alignment of the Entity's normative role and its operational activities that are taking place at the country level. UN-Women continued to build field capacities through targeted training programmes for managers in the field in areas of leadership, operations and project management, resource mobilization and results-based management. These programmes were extended to middle and junior level staff through a series of face-to-face and webinar trainings.

19. Three main benefits of the regional architecture are: consolidation of resources and economies of scale; empowered decision-making in the field and improved efficiency; and strengthened country offices. The progress made on the regional architecture also increased the Organization's capacity to play a central role in inter-agency coordination efforts at the regional and country levels.

3. Transparency and accountability

20. In January 2013, UN-Women launched its global accountability and tracking of evaluation use system, which allows public access to all evaluation reports. The purpose of the system is to provide all stakeholders with timely reports on the Entity's evaluation activities and to enhance the Organization's transparency of results.

21. UN-Women appointed a new Director of Evaluations in November 2013 to lead the independent evaluation function. In December 2013, UN-Women established an Evaluation Advisory Committee comprising 11 members to further ensure the independence and quality of the evaluation function and promote the use of all evaluations of the Entity.

22. The Audit Advisory Committee of UN-Women tabled its first annual report at the Executive Board meeting in September 2013 and provided independent feedback to Member States. The Committee has met regularly with senior management and contributes to promoting a culture of governance. The Audit Advisory Committee members assist the Executive Director in her oversight duties.

23. In 2013, UN-Women has published seven internal audit reports on its public website which have been issued by the Office of Internal Audit and Investigations. The publication of internal audit reports enhances the transparency of the entity's activities to donors and Member States.

24. UN-Women has increased awareness of its anti-fraud hotline to permit staff members as well as third parties outside the Entity to report wrongdoing.

25. To enhance the transparency of its programme activities, UN-Women became a signatory to the International Aid Transparency Initiative (IATI). In November 2012, UN-Women was acknowledged as the 100th organization to publish information with IATI. The Entity has adopted a phased implementation approach and will progressively enhance reporting on its open-data website (http://open.unwomen.org).

4. External audit recommendations

26. UN-Women received 28 audit recommendations for 2011 from the Board of Auditors, of which 25 have been fully implemented and three are on track for completion in accordance with the timelines established by the Secretary-General in his related report (A/67/319/Add.1).

27. For 2012, UN-Women received 17 external audit recommendations, of which 11 have been fully implemented. The remaining six are on track and under implementation. The implementation status indicates adequate management follow-up to address the outstanding audit recommendations.

D. Financial performance

28. As total revenue for UN-Women was $288.5 million and total expenses were $264.1 million, the Entity recorded a surplus of $24.4 million for the year ended 31 December 2013, compared with a deficit of $14.7 million for 2012. The turnaround in results for the year ended 31 December 2013 was due to a significant increase in voluntary contributions from donors of $63.9 million, or 30.2 per cent, above 2012.

Financial performance by funding source

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*Elimination*	*2013*	*2012*
Total revenue	160 023	128 522	8 004	(8 044)	288 505	223 917
Total expenses	138 850	125 086	8 213	(8 044)	264 105	238 564
Surplus/(deficit) for the year	**21 173**	**3 436**	**(209)**	**–**	**24 400**	**(14 647)**

29. The increase in voluntary contributions from donors in 2013 of $64.7 million was represented by regular resources of $42.9 million and other resources of $24.8 million.

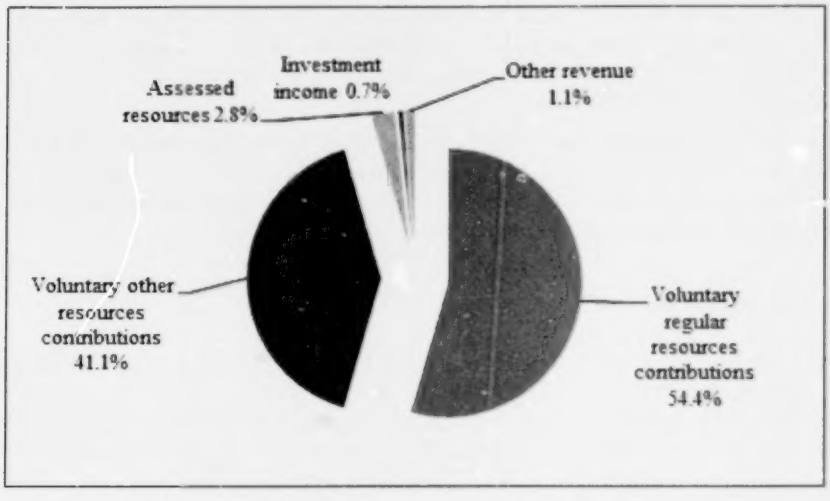
Revenue analysis

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*Elimination*	*2013*	*2012*
Contributions	156 958	118 465	8 004	–	283 427	218 773
Investment income	1 338	543	–	–	1 881	2 158
Other revenue	1 727	9 514	–	(8 044)	3 197	2 986
Total	**160 023**	**128 522**	**8 004**	**(8 044)**	**288 505**	**223 917**

30. The total revenue for 2013 includes revenue received and receivable, in accordance with IPSAS. UN-Women recognizes revenue from non-exchange transactions when written confirmation is received from a donor. Revenue is recognized in the financial statements in the period to which they relate. The matching principle of revenue and expense does not apply for non-exchange transactions.

Figure IV.I
2013 revenue



31. Of the total revenue of $288.5 million (2012: $223.9 million), contributions accounted for $283.4 million (2012: $218.8 million) and comprised:

(a) Voluntary regular resources of $156.9 million, or 54.4 per cent, of all contributions (2012: $114.1 million or 53.1 per cent), which are unearmarked and fund the operational requirements and projects and programmes of UN-Women;

(b) Voluntary other resources of $118.5 million, or 41.1 per cent (2012: $97.5 million or 45.3 per cent), which are earmarked for specific programmes and projects of UN-Women;

(c) Assessed resources from the United Nations regular budget of $8 million, or 2.8 per cent (2012: $7.3 million, or 3.3 per cent), which fund the normative and intergovernmental work of UN-Women (see figure IV.I).

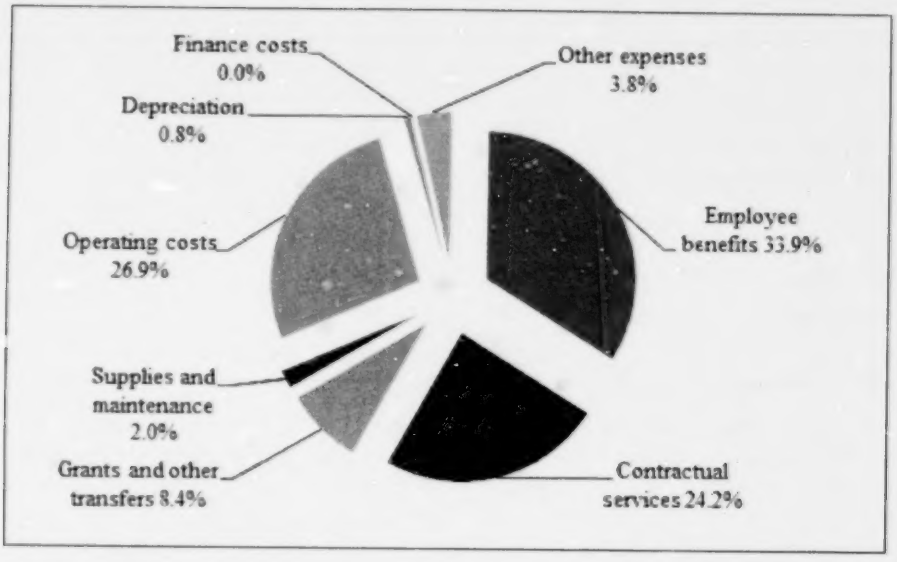
Expenditure analysis

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*Elimination*	*2013*	*2012*
Employee benefits	64 658	17 509	7 395	–	89 562	73 486
Contractual services	23 917	39 592	365	–	63 874	71 126
Grants and other transfers	3 210	19 002	–	–	22 212	11 217
Supplies and maintenance	2 583	2 723	2	–	5 308	6 824
Operating costs	39 719	38 865	436	(8 044)	70 976	67 854
Depreciation	1 193	820	–	–	2 013	1 583
Finance costs	62	48	–	–	110	107
Other expenses	3 508	6 527	15	–	10 050	6 367
Total	**138 850**	**125 086**	**8 213**	**(8 044)**	**264 105**	**238 564**

32. In accordance with IPSAS, the total expenses for 2013, $264.1 million (2012: $238.6 million) represent expenses incurred, both paid and payable. Of the total expenses, reguiar resources represent $138.9 million, or 52.6 per cent (2012: $118.9 million, or 49.8 per cent), other resources (after reduction for elimination item) represent $125.1 million, or 44.3 per cent (2012: $112.2 million, or 47 per cent) and assessed expenses represent $8.2 million, or 3.1 per cent (2012: $7.4 million, or 3.1 per cent). The other resource expenses for the year include programme and project delivery during the year from unspent 2012 budgets as well as current-year budgets (see figure IV.II).

Figure IV.II
2013 expenses



Financial position by funding source
(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed*	*31 December 2013*	*31 December 2012*
Total assets	122 509	253 872	1 547	377 928	390 595
Total liabilities	39 275	38 373	1 955	79 603	111 633
Total net assets/equity	**83 234**	**215 499**	**(408)**	**298 325**	**278 962**

33. Total net assets/equity by segment (see note 5 to the financial statements) comprise:

(a) Regular resources, the cash required to fund operations for the first few months of the new financial year while UN-Women awaits new voluntary contributions from donor Governments;

(b) Other resources, the unspent budgets for earmarked projects and programmes which will be expensed in future periods in accordance with donor agreements;

(c) Other items in relation to the financial position by segment as at 31 December 2013 include:

(i) Current assets of $312.7 million exceeding current liabilities of $35.1 million by $277.6 million, indicating that the liquidity of UN-Women is very strong (current assets ratio of 8.9:1, 2012: 4.1:1), with regular resources representing $90.9 million and other resources $185.2 million;

(ii) Investments and cash and cash equivalents amounting to $309.7 million (2012: $322.3 million), with short-term investments of $251.8 million for less than 12 months and $57.9 million for long-term investments;

(iii) Accounts receivable or unpaid voluntary contributions agreements and pledges amounting to $15.1 million (2012: $11.9 million), comprising regular resources or unearmarked pledges of $11.58 million or 76.7 per cent and other resources for earmarked projects and programmes of $3.52 million or 23.3 per cent. The consequence of unpaid voluntary contributions, particularly for other resources, is that implementation of projects and programmes is delayed;

(iv) Employee benefits (contractual obligations to employees, both current and retired) in the amount of $52.6 million (2012: $47.4 million). The main liability relates to after-service health insurance of $36.2 million (2012: $35.3 million), which has been funded in the amount of $26.4 million or 73 per cent (2012: $24.2 million or 68.6 per cent). The portion of the liability for after-service health insurance for the category of active employees, not yet fully eligible is $20.6 million or 56.9 per cent of the total after-service health insurance accrued liability;

(v) Reserves, including operational reserves of $21 million and field accommodation reserves of $1 million as approved by the Executive Board in its decision 2012/8.

Chapter V

Financial statements for the year ended 31 December 2013

United Nations Entity for Gender Equality and the Empowerment of Women

I. Statement of financial position as at 31 December 2013

(Thousands of United States dollars)

	Reference	*31 December 2013*	*31 December 2012 (restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 6	54 728	104 107
Investments	Note 7	197 059	124 433
Accounts receivable	Note 8	15 069	11 977
Advances	Note 9	42 609	46 696
Other assets	Note 10	3 159	3 496
Inventories	Note 11	110	–
Total current assets		**312 734**	**290 709**
Non-current assets			
Investments	Note 7	57 873	93 719
Property, plant and equipment	Note 12	7 321	6 167
Total non-current assets		**65 194**	**99 886**
Total assets		**377 928**	**390 595**
Liabilities			
Current liabilities			
Accounts payable	Note 13	23 453	58 244
Employee benefits	Note 14	8 112	6 476
Other liabilities	Note 15	3 545	5 949
Total current liabilities		**35 110**	**70 669**
Non-current liabilities			
Employee benefits	Note 14	44 493	40 964
Total non-current liabilities		**44 493**	**40 964**
Total liabilities		**79 603**	**111 633**
Net assets		**298 325**	**278 962**
Net assets/equity			
Accumulated surplus/(deficit)	Note 16	276 325	256 962
Reserves	Note 17	22 000	22 000
Total net assets/equity		**298 325**	**278 962**

The accompanying notes are an integral part of these financial statements. The 2012 comparatives have been restated; see note 3.

United Nations Entity for Gender Equality and the Empowerment of Women

II. Statement of financial performance for the year ended 31 December 2013

(Thousands of United States dollars)

	Reference	*2013*	*2012 (restated)*
Revenue			
Voluntary contributions	Note 18	275 423	211 538
Assessed contributions	Note 19	8 004	7 235
Investment income	Note 20	1 881	2 158
Other revenue	Note 21	3 197	2 986
Total revenue		**288 505**	**223 917**
Expenses			
Employee benefits	Note 22	89 562	73 486
Contractual services	Note 22	63 874	71 126
Grants and other transfers	Note 22	22 212	11 217
Supplies and maintenance	Note 22	5 308	6 824
Operating costs	Note 22	70 976	67 854
Depreciation	Note 22	2 013	1 583
Finance costs	Note 22	110	107
Other expenses	Note 22	10 050	6 367
Total expenses		**264 105**	**238 564**
Surplus/(deficit) for the year		**24 400**	**(14 647)**

The accompanying notes are an integral part of these financial statements. The 2012 comparatives have been restated; see note 3.

United Nations Entity for Gender Equality and the Empowerment of Women

III. Statement of changes in net assets/equity for the year ended 31 December 2013

(Thousands of United States dollars)

	Reference	*2013*	*2012 (restated)*
Net assets/equity at the beginning of the year		**278 962**	**295 540**
Movement during the year			
Current year surplus/(deficit)		24 400	(14 647)
IPSAS reserve adjustments during the year	Note 16		
Accounts receivable		–	(329)
Property, plant and equipment		250	805
Accumulated surplus adjustment for prior year		(82)	1 754
Refunds to donors	Note 16	(5 995)	(750)
Field accommodation reserve	Note 17	–	1 000
Actuarial gains/(losses)	Note 16	790	(4 411)
Net assets/equity at the end of the year		**298 325**	**278 962**

The accompanying notes are an integral part of these financial statements. The 2012 comparatives have been restated; see note 3.

United Nations Entity for Gender Equality and the Empowerment of Women

IV. Statement of cash flow for the year ended 31 December 2013

(Thousands of United States dollars)

	Reference	*2013*	*2012 (restated)*
Cash flows from operating activities			
Net surplus/(deficit) for the year		24 400	(14 647)
Non-cash movements:			
Depreciation	Note 22	2 013	1 583
(Increase)/decrease in accounts receivable		(3 092)	2 567
(Increase)/decrease in other assets		337	(1 120)
(Increase)/decrease in inventories		(110)	–
(Increase)/decrease in advances		4 087	(28 616)
(Increase)/decrease in accounts payable		(34 791)	26 207
(Increase)/decrease in employee benefits		5 165	9 256
(Increase)/decrease in other liabilities		(2 404)	4 096
(Gains)/losses on sale of property, plant and equipment	Note 22	52	83
Adjustment to prior year accumulated depreciation		–	107
Refunds to donors	Note 16	(5 995)	(750)
Decrease in IPSAS reserve for receivables		–	(329)
Actuarial gains/losses	Note 16	790	(4 411)
Investment income	Note 20	1 881	(2 158)
Movements in reserves/provisions		–	1 000
Accumulated surplus adjustment for prior years	Note 16	(82)	1 754
Net cash generated from operating activities		**(7 749)**	**(5 378)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(3 251)	(4 114)
Increase in IPSAS reserve for property, plant and equipment	Note 16	250	805
Proceeds from sales of property, plant and equipment		32	12
Investment income	Note 20	(1 881)	2 158
(Increase)/decrease in investments		(36 780)	90 548
Net cash generated from investing activities		**(41 630)**	**89 409**
Net (decrease)/increase in cash and cash equivalents		**(49 379)**	**84 031**
Cash and cash equivalent at beginning of year		104 107	20 076
Cash and cash equivalent at end of year	Note 6	**54 728**	**104 107**

The accompanying notes are an integral part of these financial statements. The 2012 comparatives have been restated; see note 3.

United Nations Entity for Gender Equality and the Empowerment of Women

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2013

(Thousands of United States dollars)

	2012-2013	*2012*				*2013*				*2012-2013*
	Original budget	*Original budget*	*Final budget*	*Actual amounts on comparable basis (restated)*	*Difference between final budget and actual amounts*	*Original budget*	*Final budget*	*Actual amounts on comparable basis*	*Difference between final budget and actual amounts*	*Difference: Budget and actual over budget period*
Regular budget activities	14 677	7 235	7 235	7 097	138	7 442	8 120	7 971	149	287
Development activities										
Programme	597 000	298 500	291 182	207 201	83 981	298 500	225 195	182 828	42 367	126 348
Development effectiveness	39 892	18 950	15 561	11 848	3 713	20 942	16 743	14 331	2 412	6 125
United Nations development coordination	20 896	9 267	7 698	4 996	2 702	11 629	9 974	7 929	2 045	4 747
Management activities	79 986	35 679	43 489	34 549	8 940	44 307	52 465	46 774	5 691	14 631
Change management	2 000	2 000	2 000	1 148	852	–	–	709	(709)	143
Total	**754 451**	**371 631**	**367 165**	**266 839**	**100 326**	**382 820**	**312 497**	**260 542**	**51 955**	**152 281**

The accompanying notes are an integral part of these financial statements; see also note 24. The 2012 comparatives have been restated; see note 3.

United Nations Entity for Gender Equality and the Empowerment of Women
Notes to the financial statements

Note 1
Reporting entity

The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was established by General Assembly resolution 64/289 and became operational in January 2011. Grounded in the vision of equality enshrined in the Charter of the United Nations, UN-Women works towards: the elimination of discrimination against women and girls; the economic empowerment of women; the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action, and peace and security.

UN-Women is mandated to support intergovernmental bodies, such as the Commission on the Status of Women, in their formulation of policies, global norms and standards. The Entity mobilizes political will and resources to help Member States implement those standards, standing ready to provide suitable technical and financial support to those countries that request it, and to forge successful partnerships with civil society. Furthermore, UN-Women has been assigned the mandate to hold the United Nations system accountable for its own commitment on gender equality through the system-wide action programme.

UN-Women is governed by its Executive Board, which consists of representatives of its Member States. The Executive Board guides the strategic direction and policies of the Entity to ensure that all operational aspects of the activities of UN-Women are executed effectively by the Executive Director and Under-Secretary-General.

UN-Women is headquartered in New York and is expanding its presence at the regional and country levels. The rollout of the regional architecture, with 6 regional offices, 6 multi-country offices and close to 50 country offices, is designed to ensure that UN-Women has the presence and field capacity to deliver against its mandate. UN-Women also has programme presence in over 30 countries to pursue its goals of achieving gender equality and the empowerment of women. UN-Women serves the donor community with liaison offices in Brussels and Copenhagen.

Note 2
Significant accounting policies

(a) Basis of preparation and authorization for issue

Authorization for issue

In accordance with financial regulation 12.1 of UN-Women, the Executive Director is responsible for the financial statements of the Entity. The Director, Division of Management and Administration, has certified that, to the best of her knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules. The Executive Director has authorized for issue these financial statements on 30 April 2014.

Statement of compliance with the International Public Sector Accounting Standards

The financial statements of UN-Women have been prepared on an accrual and going concern basis in accordance with the International Public Sector Accounting Standards (IPSAS). Where an IPSAS pronouncement does not address a particular issue, the appropriate International Financial Reporting Standard has been applied.

In 2013, UN-Women fully adopted the following IPSAS financial instruments accounting standards: IPSAS 28, Financial instruments: presentation; IPSAS 29, Financial instruments: recognition and measurement; and IPSAS 30, Financial instruments: disclosures. The standards are effective for periods beginning after 1 January 2013, but UN-Women had implemented most of the requirements of those standards in its financial statements for the year ended 31 December 2012.

Basis of recognition of revenue and expenses

Under the accrual basis of accounting, revenue and expenses (except for non-exchange transactions) are recognized in the financial statements in the period in which they relate.

Revenue

Voluntary contributions are recognized as revenue when written confirmation is received from a donor based on the fair value of the benefit received unless any stipulation defers this recognition. Multi-year agreements are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Cash received relating to future financial years is recognized as deferred income at the year end.

Assessed contributions are issued as an annual allotment from the United Nations regular budget and are assessed and approved for a two-year budget period. The amount of those contributions is then apportioned between the two years and recognized on a monthly basis.

In-kind contributions, except services, that directly support approved operations and activities, which have budgetary impact and can be reliably measured, are recognized at fair value as expense and contribution. Those contributions include use of premises, utilities and transport.

In-kind contributions of services are not recognized, but the estimated cost saving is disclosed.

Donated property, plant and equipment are valued at fair market value and recognized as fixed assets and contribution. The donated right to use an asset is valued at the fair market value of the right to use. The excess of the fair market value of the right to use over any sums actually paid is shown as contribution income together with a matching expense. When transferred assets are received as contributions in-kind and conditions requiring their return upon non-performance are disclosed in the agreements, a liability is initially recognized. When these conditions are satisfied, the revenue is recognized. When restrictions are disclosed in the agreements which do not require their return, the revenue is recognized upon confirmation of contributions.

Expenses

Expenses are recognized when goods are delivered and services are rendered. Project expenses are recognized once UN-Women receives a financial report from the partner in order to evidence the completion of activities.

Under IPSAS, the matching principle of revenue and expense does not apply for non-exchange transactions. The focus of IPSAS is the financial position, which is evidenced by the recognition of assets when there is sufficient control and of liabilities when the criteria to recognize liabilities exist. As a consequence, the excess of revenue over expenses results in a surplus (or the excess of expenses over revenue results in a deficit), which is carried forward to the accumulated surplus or deficit. Accumulated surplus represents the unexpended portion of contributions to be utilized for future operational requirements of UN-Women.

(b) Foreign currency transactions

The functional and reporting currency of UN-Women is the United States dollar. Where transactions have been made in currencies other than the United States dollar, the amounts are translated into United States dollars at the prevailing United Nations operational rates of exchange at the date of the transaction. Monetary assets and liabilities in currencies other than the United States dollar are translated into the United States dollar at the prevailing United Nations operational rate of exchange in effect at the reporting date. Non-monetary assets and liabilities denominated in a currency other than the United States dollar that are measured at historical cost are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses, both realized and unrealized, resulting from such transactions are accounted for in the statement of financial performance.

(c) Financial instruments

Financial instruments are recognized when UN-Women becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and UN-Women has transferred substantially all the risks and rewards of ownership.

Financial assets classification

UN-Women classifies financial assets into the following categories: held-to-maturity; available-for-sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UN-Women initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UN-Women becomes party to the contractual provisions of the instrument.

Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements, and assets denominated in foreign currency are translated into the United States dollar at the United Nations operational rate prevailing at the reporting date with gains and losses recognized in surplus or deficit in the statement of financial performance.

IPSAS classification	*Type of financial asset*
Held-to-maturity	Investments
Available-for-sale	None as at 31 December 2013
Loans and receivables	Cash and cash equivalents, accounts receivable, advances and other receivables
Fair value through surplus and deficit	None as at 31 December 2013

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UN-Women has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method. UN-Women classified its investment portfolio as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors. As at 31 December 2013, UN-Women had no outstanding balances of financial assets classified in this category.

Loans and receivables

Cash and cash equivalents include cash, short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, net of impairment for restricted-use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Accounts receivable are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UN-Women will not be able to collect all amounts due according to the original terms of the receivable.

Advances and other receivables are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. Advances represent cash advance payments to partners contracted in the context of programme execution. These advances are recognized at fair value as a receivable. The expense is recognized in the statement of financial performance once UN-Women receives a financial report from the partner to evidence completion of activities. Advances also include payments on behalf of United Nations agencies and staff members are also issued cash advance payments which are recognized at fair value as receivables. The expense is recognized when the advance is liquidated through a claim or repayment of the advance. Other receivables represent prepayments on contracts where goods or services are yet to be delivered or rendered.

(d) Inventories

Inventories held for distribution at no charge are stated at the lower of cost and current replacement cost. As there is no related revenue for inventory distributed, the expense is recognized when the goods are distributed. No-charge publication materials that would be defined as inventory are technical publications that relate directly to the programmatic and normative operations and are under the control of UN-Women. These publications must also have longevity where their content remains relevant and valid for more than a 12-month period to be defined as inventory. Publications produced by partners and held for distribution or used by them are not considered to be under the control of UN-Women and therefore are not inventory. No-charge publication materials and campaign brochures prepared by UN-Women for only advertising and promotional information purposes are not inventory. These items normally do not have longevity and are generally used within a 12-month period, as they are produced for a one-off event or purpose, and therefore the value of any remaining materials on hand at year end would be significantly depreciated. Accordingly, the cost of publication material and campaign brochures used for advertising and promotional information is recognized as an expense when incurred.

Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories acquired through a non-exchange transaction (e.g. donated goods) is measured as their fair value at the date of acquisition. As at 31 December 2013, UN-Women did not have any inventories held for sale and had not acquired any inventory through a non-exchange transaction.

(e) Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment losses. The capitalization threshold for property, plant and equipment for which UN-Women has control is a total cost of at least $1,000 per unit. Depreciation is provided for property, plant and equipment over the estimated useful life of each asset using the straight-line method, except for land, which is not subject to depreciation. Historic cost includes expenditure directly

attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to UN-Women and the cost can be measured reliably. The estimation of the useful life of the asset is a matter of judgement based on the experience of UN-Women with similar assets. Therefore, the useful life of an asset may be shorter than its economic life. Repair and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

UN-Women is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if the Entity can exclude or regulate the access of third parties to the asset. This can be the case when UN-Women is implementing a project directly. Project assets that are not controlled by UN-Women are expensed as incurred. Leasehold improvements are recognized as assets, valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term. Impairment reviews are undertaken for all assets at least annually.

The estimated useful life ranges in years for property, plant and equipment classes are set out in the table below.

Class	*Estimated useful life*
Land	Not applicable
Buildings	
Permanent	50
Temporary	10
Furniture and fixtures	8
Communications and information technology equipment	3-5
Vehicles	6
Machinery and equipment	5
Security equipment	5

(f) Intangible assets

UN-Women does not currently hold any intangible assets. Under IPSAS, intangible assets with a finite life are carried at cost less accumulated amortization and any impairment loss. Intangible assets are capitalized provided they have a useful life of more than one year and a cost exceeding $50,000 for externally acquired and cost exceeding $500,000 for internally acquired. Amortization is provided on a straight-line basis on all intangible assets of finite life in accordance with its useful life. Where the intangible asset has an indefinite useful life, it will not be amortized but will be reviewed for impairment by comparing its recoverable service amount with its carrying amount.

(g) Leases

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-

line basis over the period of the lease. The value of the future lease payments within the current lease term is disclosed in note 26.

Leases where the lessee retains a significant portion of the risks and rewards inherent to ownership are classified as finance leases. UN-Women has not entered into any finance leases.

(h) Employee benefits

UN-Women recognizes the following employee benefits:

(a) Short-term employee benefits, which fall due wholly within 12 months after the end of the accounting period in which employees render the related service;

(b) Long-term employee benefits, which are due to be settled beyond 12 months after the employees render the related service and including:

(i) Post-employment benefits (see Pension and After-Service Health Insurance below); and

(ii) Other long-term employee benefits.

(c) Termination benefits.

Short-term employee benefits are measured at their nominal value based on accrued entitlements at current rates of pay. These benefits may include, at year end, remuneration, accrued annual leave, home leave liability and other short-term benefits.

Post-employment benefits include pension plans, post-employment medical care, repatriation benefits and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

UN-Women is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Pension Fund, membership in the Pension Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UN-Women, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of International Public Sector Accounting Standard 25. The contributions of UN-Women to the plan during the financial period are recognized as expenses in the statement of financial performance.

The after-service health insurance plan extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as for active staff based on certain eligibility requirements. The after-service health insurance plan is a defined benefit plan.

Other long-term employee benefits are employee benefits that do not fall due wholly within 12 months after the end of the financial period and include long-term compensation in the event of death, injury or illness.

Termination benefits generally include indemnities for voluntary redundancy, and are expected to be settled within 12 months of the reporting period.

(i) Financial liabilities

IPSAS classification	*Type of financial liability*
Other financial liabilities	Accounts payable and accruals, other liabilities
Fair value through surplus and deficit	None as at 31 December 2013

Other financial liabilities

Other financial liabilities are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with duration of less than 12 months are recognized at their nominal value.

Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods are delivered or services are rendered and accepted by UN-Women. Liabilities are stated at invoice amounts less payment discounts at the reporting date. The liability is estimated where invoices are not available at the reporting date.

Other liabilities include deferred income, representing funds received in advance for future years from multi-year donor agreements which are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Other payables represent reimbursable services rendered by the United Nations and United Nations agencies.

Fair value through surplus and deficit financial liabilities

Fair value through surplus and deficit financial liabilities are liabilities that are designated on initial recognition or are held for trading. They are initially recorded at fair value, and any transaction costs are expensed. The liabilities are measured at fair value at each reporting date, and any resultant fair value gains or losses are recognized through surplus and deficit.

UN-Women classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to

internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. At 31 December 2013, UN-Women had no open foreign exchange derivative instruments positions in this category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UN-Women does not apply hedge accounting for derivatives.

(j) Provisions and contingent liabilities

Provisions are made for future liabilities and charges where UN-Women has a present legal or constructive obligation as a result of past events, it is probable that UN-Women shall be required to settle the obligation, and a reliable estimate can be made of the obligation.

Other obligations, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence shall be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of UN-Women and the liability can be reliably estimated.

(k) Commitments

Commitments are future expenses to be incurred by UN-Women on contracts entered into by the reporting date and that the Entity has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UN-Women in a future period, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position but is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

Note 3
Changes in accounting policy and prior-period errors and adjustments

(a) Changes in accounting policy

(i) Inventories

UN-Women has widened its inventory policy to record inventories held for distribution at no charge at the lower of cost and current replacement cost (see note 2 (d)). This change in accounting policy has been applied prospectively and any such inventory held before 1 January 2013 has been expensed. The amount of $0.11 million has been recorded as inventory as at 31 December 2013.

(ii) Junior Professional Officers programme

The contribution paid by the donors of the programme to the United Nations system organizations is composed of two main amounts: estimated staff costs and contribution to administrative and overhead costs. All donors transfer their contributions directly to UNDP, which performs the administrative activities related

to the programme on behalf of UN-Women. In the previous year, UN-Women disclosed as In-kind services the value of Junior Professional Officer Staff. As a consequence, UN-Women recorded as at 31 December 2013, a receivable of $0.598 million, employee benefits of $0.081 million, revenue of $1.345 million and expenses of $2.358 million.

(iii) Death benefit accrual

An employee benefit relating to death benefit in accordance with the actuarial valuation has been recorded (see note 14). This change in accounting policy has been applied prospectively and an accrual of $0.158 million has been recorded as at 31 December 2013.

(b) Prior-period adjustments

The prior-period adjustments recorded in 2013 are disclosed as an increase in IPSAS reserves for property, plant and equipment of $0.618 million and an increase in accumulated surplus of $2.82 million. In accordance with IPSAS 3: Accounting policies, changes in accounting estimates and errors, the 2012 comparatives have been restated for material adjustments only.

(i) IPSAS reserves

Adjustments to the IPSAS reserve in relation to property, plant and equipment during 2013 resulted in a net increase in IPSAS reserves of $0.618 million. During the 2013 physical verification counts, property, plant and equipment was identified which had been purchased prior to 1 January 2012 but had not been recorded in the 2012 opening balances as property, plant and equipment. The accumulated surplus as at 31 December 2012 has been restated, representing property, plant and equipment in the amount of $0.474 million and corresponding increase to accumulated depreciation of $0.107 million.

(ii) Junior Professional Officers programme

In 2013, UN-Women have recorded and disclosed amounts related to its Junior Professional Officer staff, resulting in a prior period increase adjustment of $2.537 million to accumulated surplus, which represents a receivable owed from UNDP. A restatement was made to 31 December 2012 comparatives for this amount.

(iii) Refund to donor

An amount previously recorded as a refund to donor, which formed part of the accumulated reserves as at 31 December 2012, was cancelled and not subsequently paid. This cancellation of the payable has resulted in a prior-period increase adjustment to accumulated surplus of $0.05 million and has been restated as at 31 December 2012.

(iv) Property, plant and equipment

Adjustments to accumulated surplus in relation to property, plant and equipment during 2013 resulted in a net increase of $0.233 million. During the physical verification counts for 2013, property, plant and equipment was identified which had been purchased during 2012 but not been recorded in the 2012 books and

records as property, plant and equipment. The accumulated surplus as at 31 December 2012 has been restated, representing property, plant and equipment in the amount of $0.436 million and corresponding increase adjustment to accumulated depreciation of $0.119 million.

Note 4
Critical accounting estimates and judgements

The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgement. The areas where estimates, assumptions or judgement are significant to the financial statements of UN-Women include, but are not limited to, post-employment benefits obligations, provisions, financial risk on accounts receivable and advances, accrued charges, contingent assets and liabilities, and degree of impairment of accounts receivable, advances, investments and property, plant and equipment. Actual results could differ from those estimates. Changes in estimates are recognized in the period in which they became known.

Note 5
Segment reporting

Segment reporting is required to evaluate an entity's past performance and to make decisions about an entity's future allocation of resources. UN-Women reports the following segments:

(a) The regular resources segment reflects the operations of voluntarily donated funds to UN-Women to be used to achieve the mandate of UN-Women at the discretion of the Executive Director of UN-Women.

(b) The other resources segment represents earmarked voluntarily donated funds to UN-Women for specific projects.

(c) The assessed resources segment represents sums assessed on Member States and transferred to UN-Women by the General Assembly.

Inter-segment transactions are disclosed in the segment reporting but eliminated in the statement of financial position and statement of financial performance.

Statement of financial position by segment as at 31 December 2013

(Thousands of United States dollars)

	2013				
	Regular resources	*Other resources*	*Assessed resources*	*Total*	*31 December 2012 (restated)*
Assets					
Current assets					
Cash and cash equivalents	17 018	37 546	164	54 728	104 107
Investments	61 276	135 194	589	197 059	124 433
Accounts receivable	10 950	3 520	59	15 069	11 977
Advances	7 368	35 219	22	42 609	46 696
Other current assets	2 969	190	–	3 159	3 496
Inventories	102	8	–	110	–
Non-current assets					
Investments	17 996	39 704	173	57 873	93 719
Property, plant and equipment	4 830	2 491	–	7 321	6 167
Total assets	**122 509**	**253 872**	**1 547**	**377 928**	**390 595**
Liabilities					
Current liabilities					
Accounts payable	800	23 161	(508)	23 453	58 244
Employee benefits	5 564	2 168	380	8 112	6 476
Other liabilities	2 393	1 152	–	3 545	5 949
Non-current liabilities					
Employee benefits	30 518	11 892	2 083	44 493	40 964
Total liabilities	**39 275**	**38 373**	**1 955**	**79 603**	**111 633**
Net assets	**83 234**	**215 499**	**(408)**	**298 325**	**278 962**
Net assets/equity					
Accumulated surplus/(deficit)	42 572	205 579	658	248 809	262 452
Prior-period adjustment	(82)	–	–	(82)	1 754
Current year surplus/(deficit)	21 173	3 435	(208)	24 400	(14 647)
Operational reserves	21 000	–	–	21 000	21 000
Field accommodation reserve	1 000	–	–	1 000	1 000
Actuarial gains/(losses)	(3 621)	–	–	(3 621)	(4 411)
IPSAS reserve	1 192	12 480	(858)	12 814	12 564
Refunds to donors	–	(5 995)	–	(5 995)	(750)
Total net assets/equity	**83 234**	**215 499**	**(408)**	**298 325**	**278 962**

Total net assets/equity per the statement of financial position by segment represents:

(a) Regular resources: the cash required to fund operations for the first few months of the new financial year while UN-Women wait for new voluntary contributions from donor Governments;

(b) Other resources: the unspent budgets for earmarked projects and programmes which will be expensed in future periods in accordance with donor agreements.

Statement of financial performance by segment for the year ended 31 December 2013
(Thousands of United States dollars)

	2013					
	Regular resources	*Other resources*	*Assessed resources*	*Elimination*	*Total*	*2012 (restated)*
Revenue						
Contributions	156 958	118 465	8 004	–	283 427	218 773
Investment income	1 338	543	–	–	1 881	2 158
Other revenue	1 727	9 514	–	(8 044)	3 197	2 986
Total revenue	**160 023**	**128 522**	**8 004**	**(8 044)**	**288 505**	**223 917**
Expenses						
Employee benefits	64 658	17 509	7 395	–	89 562	73 486
Contractual services	23 917	39 592	365	–	63 874	71 126
Grants and other transfers	3 210	19 002	–	–	22 212	11 217
Supplies and maintenance	2 583	2 723	2	–	5 308	6 824
Operating costs	39 719	38 865	436	(8 044)	70 976	67 854
Depreciation	1 193	820	–	–	2 013	1 583
Finance costs	62	48	–	–	110	107
Other expenses	3 508	6 527	15	–	10 050	6 367
Total expenses	**138 850**	**125 086**	**8 213**	**(8 044)**	**264 105**	**238 564**
Surplus/(deficit) for the period	**21 173**	**3 436**	**(209)**	**–**	**24 400**	**(14 647)**

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 7 per cent established by the UNDP/United Nations Population Fund Executive Board paper DP/2008/11 and decision of 2008/3, which was adopted by UN-Women. These indirect costs charged have been recognized during the year as an increase in support cost income, and at year end those amounts comprised the elimination items.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Cash in bank accounts	1 902	1 236
Petty cash	26	19
Money market, term deposits and commercial paper	52 800	102 852
Total	**54 728**	**104 107**

Cash and cash equivalents are comprised of balances held by field offices, money market account balances, term deposits and commercial paper with terms of less than three months. Cash required for immediate disbursement is maintained in cash and bank accounts. Money market and deposit accounts are available at short notice. Cash and cash equivalents relates to both regular resources and other resources.

Note 7
Investments

(Thousands of United States dollars)

	Closing balance 31 December 2012	*Purchases*	*Maturities*	*Amortization*	*Unrealized gains/losses*	*Reclassification non-current to current*	*Closing balance 31 December 2013*	*Fair value*
Current investments								
Money market instruments	24 971	49 991	(25 000)	29	–	24 967	74 958	74 963
Bonds and notes	99 462	35 581	(98 648)	(1 212)	–	86 918	122 101	122 187
Subtotal	**124 433**	**85 572**	**(123 648)**	**(1 183)**	**–**	**111 885**	**197 059**	**197 150**
Non-current investments								
Money market instruments	–	24 839	–	128	–	(24 967)	–	–
Bonds and notes	93 719	53 838	–	(2 766)	–	(86 918)	57 873	57 895
Subtotal	**93 719**	**78 677**	**–**	**(2 638)**	**–**	**(111 885)**	**57 873**	**57 895**
Total investments	**218 152**	**164 249**	**(123 648)**	**(3 821)**	**–**	**–**	**254 932**	**255 045**

Held-to-maturity financial assets are carried at amortized cost calculated by using the effective interest method. As at 31 December 2013, the fair value of those assets exceeded the book value by $0.113 million. Fair values are based on quoted market prices from reputable vendors. UN-Women had no impaired investments during the year. The average yield on investments for 2013 was 0.63 per cent (2012, 0.69 per cent).

The exposure of UN-Women to credit risk, market risk and currency risks, and its risk management activities related to financial assets, including investments, are discussed in note 23.

The Entity's investments include funding for after-service health insurance and repatriation benefits in the amount of $45.6 million in accordance with note 14, operational reserve, in the amount of $21 million and field accommodation reserve in the amount of $1 million in accordance with note 17. Investments relates to both regular resources and other resources.

Note 8
Accounts receivable

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Contributions receivable	15 106	12 010
Less: allowance for impairment of receivables	(37)	(33)
Total accounts receivable	**15 069**	**11 977**

Contributions receivable represent uncollected revenue committed to UN-Women by donors. The allowance for impairment on receivables is calculated based on an aged analysis of the outstanding balance.

Note 9
Advances

(Thousands of United States dollars)

		31 December 2013		*31 December 2012*
Advances provided to United Nations agencies		4 684		4 693
Advances provided to other partners		40 382		41 792
Shown by fund type:				
Regular resources (unearmarked)	6 509		8 579	
Other resources (earmarked)				
Cost-sharing	11 963		12 934	
Ending Violence against Women Trust Fund	12 170		10 441	
Fund for Gender Equality	9 740		9 838	
Less: Allowance for impairment of advances to partners		(3 882)		(500)
Subtotal		**41 184**		**45 985**
Advances to staff		1 425		711
Total advances		**42 609**		**46 696**

Advances from non-exchange transactions relate to transfers made to partners in connection with programme execution, and to staff. Such advances are recognized as an asset and are stated at historical cost less an allowance for impairment.

Advances to partners are reduced and expenses are recognized when certified expense reports are received from partners. As at 31 December 2013, approximately

84 per cent of the total outstanding advances provided to partners are aged less than 12 months and relate to implementation of programmatic activities for 2013.

Advances to staff include salary and rental advances and prepaid education grant which are generally settled within a 12-month period.

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Interest receivable and accrued interest	2 023	1 370
Prepaid expenses	18	281
Receivable from United Nations agencies		
United Nations Capital Development Fund	–	3
United Nations Office for Project Services	147	–
United Nations Fund for Population Advancement	32	186
Miscellaneous accounts receivable	939	1 656
Total other current assets	**3 159**	**3 496**

Miscellaneous accounts receivable includes value added tax/sales tax, security deposit on rental premises, and expenditure paid in advance.

Note 11
Inventories

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
No-charge technical publications	110	–
Total inventories	**110**	–

Inventories represent no-charge publication materials defined in accordance with the Accounting Policy Manual, which are technical publications that relate directly to the programmatic and normative operations and are under the control of UN-Women. These publications also have longevity where their content remains relevant and valid for longer than a 12-month period. A change in accounting policy for inventories has been applied prospectively from 1 January 2013, as disclosed in note 3.

Note 12
Property, plant and equipment

(Thousands of United States dollars)

	Building	*Communication and information technology equipment*	*Furniture and fixtures*	*Vehicles*	*Heavy machinery/ equipment*	*Security equipment*	*Leasehold improvements*	*Total*
At 31 December 2012 (restated)								
Cost	198	4 509	663	4 386	522	180	88	10 546
Accumulated depreciation	(45)	(1 972)	(124)	(1 942)	(210)	(78)	(8)	(4 379)
Net book value	**153**	**2 537**	**539**	**2 444**	**312**	**102**	**80**	**6 167**
Movements year to 31 December 2013								
Additions	20	1 389	241	800	191	248	1 108	3 997
Cost adjustments	–	(118)	(23)	(66)	(55)	(49)	(435)	(746)
Transfers	–	(1)	1	–	–	–	–	–
Retirements	–	(309)	(68)	(76)	(10)	(4)	–	(467)
Retirements — accumulated depreciation	–	265	31	71	11	5	–	383
Depreciation	(22)	(978)	(87)	(735)	(111)	(47)	(33)	(2 013)
Closing net book value as at 31 December 2013	**151**	**2 785**	**634**	**2 438**	**338**	**255**	**720**	**7 321**
At 31 December 2013								
Cost	218	5 470	814	5 044	648	375	761	13 330
Accumulated depreciation	(67)	(2 685)	(180)	(2 606)	(310)	(120)	(41)	(6 009)
Net book value	**151**	**2 785**	**634**	**2 438**	**338**	**255**	**720**	**7 321**

Property, plant and equipment are capitalized if cost is greater or equal to the threshold limit set at $1,000 per unit. The assets are depreciated over their estimated useful life using the straight-line method. Assets are reviewed annually to determine if there is any impairment in their value and as at 31 December 2013, UN-Women did not have any impairment on property, plant and equipment. UN-Women holds fully depreciated property, plant and equipment which is still in use with a cost value of $1.48 million as at 31 December 2013.

Note 13
Accounts payable

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (restated)*
Payables to third parties	3 795	8 483
Payables to United Nations agencies		
United Nations Development Programme	17 452	48 405
United Nations Office for Project Services	–	75
United Nations Capital Development Fund	10	–
Accruals	2 196	1 281
Total accounts payable	**23 453**	**58 244**

Payables to third parties are related to amounts due for goods and services for which invoices have been received. Payables to United Nations agencies represent expenditure incurred on behalf of UN-Women which are settled in the following year.

Accruals represent estimates for the value of goods or services received, for which invoices have not yet been received and for which the liability has occurred and can be reasonably estimated.

Note 14
Employee benefits

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Current employee benefits		
Accrued annual leave	5 594	4 941
Accrued home leave	993	809
After-service health insurance	190	89
Repatriation benefits	1 021	504
Death benefit	14	–
Other employee benefits	300	133
Subtotal	**8 112**	**6 476**
Non-current employee benefits		
After-service health insurance	36 001	35 231
Repatriation benefits	8 348	5 733
Death benefit	144	–
Subtotal	**44 493**	**40 964**
Total employee benefits	**52 605**	**47 440**

(a) Current employee benefits

The current portion of employee benefits includes annual leave and home leave calculated in accordance with United Nations Staff Rules and Regulations and other employee benefits representing accruals for learning and security costs. Also included are the current portions of accrued after-service health insurance, repatriation benefits and death benefits as determined by actuarial valuation.

(b) Non-current employee benefits

The non-current portion of employee benefits includes the non-current portions of after-service health insurance, repatriation benefits and death benefits as determined by actuarial valuation.

Actuarial valuations

The actuarial valuation for after-service health insurance, repatriation benefits and death benefits was prepared for the purpose of providing results for financial disclosure and reporting as at 31 December 2013 in accordance with IPSAS 25: Employee benefits.

After-service health insurance

UN-Women provides end-of-service medical benefits for its eligible former staff members and their dependants in the form of insurance premiums for the medical and accident insurance plan. Eligible former staff members are aged 55 years and older and have five or more years of service for staff hired before 1 July 2007,

or 10 or more years of service for staff hired on or after 1 July 2007 of contributory health insurance coverage prior to retirement.

The non-current portion of after-service health insurance of $36.0 million includes an obligation for active staff — not yet fully eligible amounts to $20.6 million, which represents active employees who are not yet eligible as of the valuation date and are determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of $26.424 million as at 31 December 2013, and a funding plan for providing 5 per cent of annual salary costs for contracted staff was initiated on 1 January 2012 and has been increased to 8 per cent from 1 January 2014. The assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

The present value of the defined benefit obligations for post-employment medical insurance is determined using the projected unit credit method, including discounting the estimated future cash outflows.

Repatriation benefits

UN-Women provides end-of-service repatriation benefits (grant and travel and shipment of personal effects) for its eligible staff members and their dependants upon separation. Eligible staff are international appointments who have been separated from active service after qualifying service of one year or longer, who resided at the last duty station outside their country of nationality and have not been summarily dismissed or separated from service on grounds of abandonment of post.

The non-current portion of repatriation benefits of $8.3 million includes an obligation for active staff — not yet fully eligible amounts to $8 million, which represents active employees who are not yet eligible as of the valuation date and which is determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of $0.972 million as at 31 December 2013, and a funding plan for providing 2 per cent of annual salary costs for contracted staff was initiated on 1 January 2012, which has been increased to 3.75 per cent on 1 January 2014. The assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

Death benefits

Death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child. Staff members on full-time continuous service on fixed-term, or continuing or permanent appointment are eligible to death benefits provided that the staff members are married or have dependent children at their death. No benefit is payable in the case of staff members who are unmarried and/or without recognized dependent children. The plan is fully funded to the amount of $0.158 million as at 31 December 2013.

The movement in the present value of the defined benefit in accordance with the actuarial valuation was as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Death benefit*
Restated net defined benefit obligation at the beginning of the year	**35 320**	**6 237**	–
Increase of the obligation			
Service cost	3 221	526	–
Interest on obligation	1 411	239	–
Actuarial loss	(3 670)	2 880	–
Decrease of the obligation			
Benefit payments	(91)	(514)	–
Initial recognition 31 December 2013	–	–	158
Net recognized liability at the end of the year	**36 191**	**9 368**	**158**

The net actuarial gain for the year ended 31 December 2013 totalled $0.79 million (see note 16).

The annual expense amounts recognized in the statement of financial performance are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*
Service cost	3 221	526
Interest on obligation	1 411	239
Total expenses recognized	**4 632**	**765**

Actuarial assumptions

The end-of-service liabilities were valued with the Citigroup Pension Discount Curve. Actuarial valuations were performed using the full discount curves, and once the results were obtained, single equivalent discount rates per scheme were determined for disclosure purposes. The single equivalent discount rates determined for each scheme are: after-service health insurance 5.08 per cent, repatriation grant 4.4 per cent, and death benefits 4.22 per cent. A review was conducted by the actuarial of a number of sources, and the long-term rate of inflation assumption was based on 2.5 per cent. Other actuarial assumptions were:

Health-care cost trend rates (varies by medical plan)	4.5-7.3%
Salary increase rate (varies by age and staff category)	5-10.8%
Per capita claim cost (varies by age)	$897-$12 646

Benefits under the after-service health insurance plans are attributed in proportion to the years of service from date of hire until full eligibility date, in accordance with the straight-line basis method. Repatriation benefits are attributed

based on the benefit formula. Benefits under the death benefit plan are attributed in proportion to the years of service from the date of hire until full eligibility date, in accordance with the straight-line basis method.

Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

Rates of death — Pre-retirement	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

Rates of death — Post-retirement	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

Rate of retirement — Professionals with 30 or more years of experience	*At age 55*	*At age 70*
Male	0.16	1.00
Female	0.20	1.00

If the assumptions described above were to change, as per the actuarial report, this would have an impact on the measurement of defined benefit obligations and current service and interest costs as per the table below:

(Thousands of United States dollars)

	Change	*After-service health insurance*	*Repatriation benefits*	*Death benefits*
Impact of change in assumptions		35 320	6 237	–
Discount rate sensitivity to end-of-year liability				
Increase of discount rate by	1%	(7 734)	(965)	(13)
As a percentage of end-of-year liability		(21%)	(10%)	(8%)
Decrease of discount rate by	(1%)	10 010	1 102	15
As a percentage of end-of-year liability		28%	12%	9%
Effect of change in assumed health-care cost trend rates				
Effect on year-end accumulated post-employment benefit obligation				
Increase of health-care cost trend rate by	1%	9 689	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(7 279)	Not applicable	Not applicable
Effect on combined service and interest cost components on net				
Increase of health-care cost trend rate by	1%	1 736	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(1 451)	Not applicable	Not applicable

The best estimate of contributions expected by UN-Women to be paid for the next 12 months for after-service health insurance is $0.2 million, and for repatriation benefits $1.066 million.

United Nations Joint Staff Pension fund

The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UN-Women to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The actuarial valuation performed as of 31 December 2011 revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The actuarial deficit was attributable primarily to the lower than expected investment experience in recent years. The next actuarial valuation will be conducted as of 31 December 2013.

At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under article 26 of the regulations of the Pension Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of article 26.

In July 2012, the Pension Board noted in its report to the General Assembly at its fifty-ninth session that an increase in the normal age of retirement for new participants of the Pension Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the current deficit of 1.87 per cent. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related

change to the Pension Fund's regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age will be reflected in the actuarial valuation of the Pension Fund as of 31 December 2013.

During 2013, UN-Women's contributions paid to the Pension Fund amounted to $9.823 million (2012 $8.583 million).

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments and these can be viewed by visiting the Pension Fund at www.unjspf.org.

Note 15
Other liabilities

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Deferred income	146	2 894
Other payables	3 399	3 055
Other current liabilities	**3 545**	**5 949**

Deferred income represents funds received in advance for future years from multi-year donor agreements which are apportioned by calendar year over the period of the agreement and recognized when conditions are met.

Other payables represent reimbursable services rendered by the United Nations and United Nations agencies.

Note 16
Accumulated surplus or deficit

The movement in the accumulated surplus or deficit during the year is shown below.

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Accumulated surplus/(deficit) at the beginning of the year	**256 962**	**262 452**
Current-year surplus/(deficit)	24 400	(14 647)
Accumulated surplus adjustment for prior year	(82)	1 754
IPSAS reserves	250	12 564
Refunds to donors	(5 995)	(750)
Actuarial gain/(loss)	790	(4 411)
Accumulated surplus/(deficit) at the end of the year	**276 325**	**256 962**

(a) IPSAS reserve adjustments during 2013

During the year there were adjustments to the IPSAS reserves in order to recognize property, plant and equipment that was identified as on hand during the physical counts, with an in-service date of earlier than 1 January 2012, which had previously not been accounted for.

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (restated)*
IPSAS reserve at the beginning of the year	**12 564**	**12 088**
Increase/(decrease) during year		
Accounts receivable	–	(329)
Property, plant and equipment	250	805
IPSAS reserve at the end of the year	**12 814**	**12 564**

(b) Refunds to donors

Refunds to donors represents funds returned to donors in accordance with agreements after the completion of activities for projects and programmes. In 2013, refunds to donors included $4 million to the Government of Spain and $0.275 million to the Government of Canada relating to other resources which were converted into regular resources contribution in the same year.

(c) Actuarial gains or losses

Actuarial gains/(losses) relating to after-service health insurance and repatriation benefit obligations in the amount of $790 million are accounted for using the "reserve recognition" approach and are recognized through net assets in the statement of financial position and in the statement of changes in net assets in the year in which they occur (see note 14).

Note 17
Reserves

There were no movements in the reserves during the year as shown below.

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Reserves at the beginning of the year	**22 000**	**22 000**
Represented by		
Operational reserve	21 000	21 000
Field accommodation reserve	1 000	1 000
Reserves at the end of the year	**22 000**	**22 000**

(a) Operational reserve

UN-Women maintains an operational reserve of $21 million, the purpose of which is to guarantee the financial viability and integrity of the agency. The reserve is fully funded and held in irrevocable and promptly available liquid assets which are included in the pool of investments of UN-Women. The elements to be compensated for and covered by it shall be limited to downward fluctuations or shortfalls in resources: uneven cash flows; increases in actual costs as compared to planning estimates or fluctuations in delivery; and other contingencies that result in a loss of resources for which UN-Women has made commitments for programming.

(b) Field accommodation reserve

A reserve for field office accommodation, of $1 million, was established in accordance with the decision of the Executive Board 2012/8 dated 30 November 2012. With the establishment of regional offices and the ongoing potential for increased participation in United Nations common premises, UN-Women may incur additional costs to finance its share. UN-Women can make drawdowns from the reserve which will be replenished from the accumulated surplus on an annual basis.

Note 18
Voluntary contributions

(Thousands of United States dollars)

	2013	*2012 (restated)*
Contributions	274 816	210 924
Contributions in-kind	607	614
Total voluntary contributions	**275 423**	**211 538**

In-kind contributions represent rent and vehicles provided by Governments and United Nations agencies.

Note 19
Assessed contributions

(Thousands of United States dollars)

	2013	*2012*
Assessed contributions	8 004	7 235
Total assessed contributions	**8 004**	**7 235**

Assessed contributions are issued as an annual allotment from the United Nations regular budget.

Note 20
Investment income

(Thousands of United States dollars)

	2013	2012
Interest income	5 859	6 423
Amortization on investments	(3 978)	(4 265)
Total investment income	**1 881**	**2 158**

Amortization of investments relates to the net bond income balance from amortizing of premiums (debit) and discounts (credit). These premiums and discounts are part of the initial purchase price of bonds and, in observance of accrual accounting principal, are amortized to maturity or call. A debit has resulted because the average bond portfolio during 2013 comprised overwhelmingly premium bonds.

Note 21
Other revenue

(Thousands of United States dollars)

	2013	2012
Currency exchange gains	3 168	2 328
Miscellaneous income	29	658
Fees and support services	8 044	5 978
Less elimination	(8 044)	(5 978)
Total other revenue	**3 197**	**2 986**

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 7 per cent established by the UNDP/United Nations Population Fund Executive Board paper DP/2008/11 and decision of 2008/3 (see note 5).

Note 22
Expenses

(Thousands of United States dollars)

	2013	2012 (restated)
Employee benefits		
Salary and wages	61 157	51 075
Pension benefits	10 417	8 799
Post-employment and termination benefits	6 037	4 845
Leave benefits	1 763	1 169
Other employee benefits	10 181	7 551
Related agency costs	7	47
Subtotal	**89 562**	**73 486**

	2013	*2012 (restated)*
Contractual services		
Contract services with individuals	44 884	47 921
Contract services with companies	18 334	22 561
United Nations Volunteers costs	656	644
Subtotal	**63 874**	**71 126**
Grants and other transfers		
Grants	22 212	11 033
Transfers	–	184
Subtotal	**22 212**	**11 217**
Supplies and maintenance		
Maintenance and non-capitalized property	3 195	4 552
Maintenance and non-capitalized information technology and communications equipment	900	780
Maintenance and non-capitalized software and licences	541	1 098
Consumables	672	394
Subtotal	**5 308**	**6 824**
Operating costs		
Travel costs	21 241	20 662
Communication costs	10 307	10 291
Learning and recruitment costs	13 989	14 856
Support services paid to United Nations agencies	7 591	7 057
Insurance/warranties	181	193
Rent, leases, utilities	14 992	12 947
Professional services	1 235	950
Freight costs	91	73
Other operating costs	673	280
General management costs	676	545
Subtotal	**70 976**	**67 854**
Depreciation		
Depreciation	2 013	1 583
Subtotal	**2 013**	**1 583**
Finance costs		
Bank charges	110	107
Subtotal	**110**	**107**

	2013	2012 (restated)
Other expenses		
Impairment and prior and current period write-offs	3 418	755
(Gains)/losses on fixed assets	52	83
Currency exchange losses	2 412	1 688
Stationery and other project expenses	4 168	3 841
Subtotal	**10 050**	**6 367**
Total expenses	**264 105**	**238 564**

Note 23
Financial risks

The investment activities of UN-Women are carried out by the United Nations Development Programme (UNDP) under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UN-Women. Investments are registered in the name of UN-Women with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

(a) Safety — preservation of capital, provided through investing in high quality fixed-income securities emphasizing the creditworthiness of the issuers;

(b) Liquidity — flexibility to meet cash requirements through investments in highly marketable fixed-income securities and through structuring maturities to align with liquidity requirements;

(c) Income — maximization of investment revenue within the foregoing safety and liquidity parameters.

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure investment decisions have complied with the established investment guidelines. UN-Women receives a detailed monthly and quarterly investment performance report from UNDP which shows the composition and performance of the investment portfolio. The Director of Management and Administration and Chiefs of Accounts and Budget meet with UNDP Treasury each quarter to review the investment portfolio performance of UN-Women and provide updated cashflow projections.

UN-Women is susceptible to a variety of financial risks arising from financial instruments to which the Organization is exposed, including:

(a) Credit risk — the possibility that third parties may not pay amounts when due;

(b) Liquidity risk — the likelihood that UN-Women might not have adequate funds to meet its current obligations as they fall due;

(c) Market risk — the possibility that UN-Women might incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities.

The tables below show the value of financial assets outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*Loans and receivables*	*Fair value through surplus or deficit*	*31 December 2013*	*31 December 2012*
Cash and cash equivalents	–	–	54 728	–	54 728	104 107
Investments	254 932	–	–	–	254 932	218 152
Accounts receivable	–	–	15 069	–	15 069	11 977
Advances	–	–	42 609	–	42 609	46 696
Other assets	–	–	3 159	–	3 159	3 496
Total financial assets	**254 932**	–	**115 565**	–	**370 497**	**384 428**

Held-to-maturity financial assets are carried at amortized cost and at 31 December 2013, the market value of those assets exceeded book value by $0.113 million. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2013, UN-Women had no outstanding balances of financial assets classified as available for sale or fair value through surplus and deficit.

The tables below show the value of financial liabilities outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	Other financial liabilities	*Fair value through surplus or deficit*	*31 December 2013*	*31 December 2012 (restated)*
Accounts payable	23 453	–	23 453	58 244
Other liabilities	3 545	–	3 545	5 949
Total financial liabilities	**26 998**	–	**26 998**	**64 193**

As at 31 December 2013, UN-Women had no outstanding financial liabilities recorded at fair value through surplus and deficit. The carrying value of other financial liabilities is a reasonable approximation of their fair value.

Credit risk

UN-Women is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments, receivables from contributions, advances and other receivables.

UN-Women operates bank accounts in five currencies and in four countries, the United States of America, the United Kingdom of Great Britain and Northern Ireland, Sweden and Norway. For other currencies, UN-Women uses the bank accounts of UNDP and relies upon the risk management processes of UNDP. UN-Women is exposed to default risk of those financial institutions.

With regard to its financial instruments, the UNDP investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the investment guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supranationals, governmental or federal agencies, and banks. Investment activities are carried out by UNDP and UN-Women offices are not authorized to perform investment activities.

Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate credit risk of financial instruments. As at 31 December 2013, the financial investments of UN-Women were in investment grade instruments as shown in the table below (presented using Standard & Poor's rating convention).

(Thousands of United States dollars)

31 December 2013	*AAA*	*AA+*	*AA-*	*A*	*Total*
Money market instruments	49 991	–	24 967	–	74 958
Bonds	89 926	62 714	25 262	2 072	179 974
Total	**139 917**	**62 714**	**50 229**	**2 072**	**254 932**
31 December 2012					
Money market instruments	–	24 971	–	–	24 971
Bonds	151 157	42 024	–	–	193 181
Total	**151 157**	**66 995**	–	–	**218 152**

For other resources, the Financial Regulations and Rules of UN-Women require that expenditure be incurred only after receipt of funds from the donor, thereby considerably reducing the financial risk to the organization with regards to contributions receivable.

Liquidity risk

Liquidity risk is the risk that UN-Women will encounter difficulty in meeting its obligations associated with accounts payable, other liabilities, and promised transfers of cash to programmes. UN-Women does not have significant liquidity risks as its operations and investments are managed in accordance with UN-Women's budget and with due consideration of cash requirements for operating purposes.

Investments are made with due consideration to cash requirements for operating purposes based on cash flow forecasting. The investment approach considers the timing of future funding needs of the organization when selecting investment maturities. UN-Women maintains a portion of its cash and investments in cash and cash equivalents (18 per cent) and current investments (63 per cent)

sufficient to cover its commitments as and when they fall due as shown in the table below and notes 6 and 7.

(Thousands of United States dollars)

	31 December 2013	*Percentage*	*31 December 2012*	*Percentage*
Cash balances	1 928	1	1 255	0
Cash equivalents	52 800	17	102 852	32
Total cash and cash equivalents (net)	**54 728**	**18**	**104 107**	**32**
Investments				
Current investments	197 059	63	124 433	39
Non-current investments	57 873	19	93 719	29
Total current and non-current investments	**254 932**	**82**	**218 152**	**68**
Total investments cash and cash equivalents	**309 660**	**100**	**322 259**	**100**

Market risk

Market risk is the risk that UN-Women is exposed to potential financial losses owing to unfavourable movements in market prices of financial instruments including movements in interest rates, exchange rates and prices of securities.

Interest rate risk

Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

The investment portfolio of UN-Women is classified as held to maturity which is not marked-to-market. Changes in interest rates do not have an impact on held-to-maturity book carrying values, and therefore changes in interest rates will have no impact on net assets and surplus or deficit reported in the financial statements.

UN-Women invests in United States dollar-denominated floating rate debt which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2013, UN-Women had no outstanding floating rate fixed-income securities.

Foreign exchange risk

UN-Women is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

UN-Women receives donor contributions primarily in United States dollars, but also in a number of major currencies, including pounds sterling, the Euro, the Swedish krona and the Norwegian krone. On an ongoing basis, UN-Women

evaluates its need to hold cash and other assets in foreign currencies against its foreign currency obligations during the quarterly meetings with UNDP Treasury.

At 31 December 2013, all investments of UN-Women were denominated in United States dollars. However, cash balances were held in several non-United States dollar currencies representing 57 per cent of total cash balances.

UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options, and structured options to manage the Entity's foreign exchange exposure. These derivatives are marked-to-market with gains or losses recognized in surplus and deficit in the statement of financial performance. At 31 December 2013, UN-Women had no open derivative positions.

Other price risk

UN-Women is exposed to price risk arising from movement in the prices of financial instruments which might fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

Note 24
Budget reconciliation

The statement of comparison of budget and actual amounts (statement V) is prepared in the same format as the original approved institutional budget 2012-2013, with the additional inclusion of assessed contributions (regular budget activities). As the financial statements are prepared in accordance with IPSAS and the budget is prepared on the modified cash basis, the reported financial results (actual) are adjusted to provide for a comparison to the budget as presented in the statement of comparison of budget and actual amounts. The main changes between the IPSAS financial results and the results on a budget basis relate to difference in the treatment of cost of assets, and treatment of cash advances to partners and staff members.

In explaining variances against budget, it should be noted that the approved budgets are prepared and presented on a biennial basis, with those amounts being broken down into annual amounts in the statements. The original budget annual figures are therefore subject to change depending on previous year's expenditure.

(a) Assessed contributions 2013 — regular budget

There is a slight increase between original and final budgets due to the performance review and restatement that takes place towards the end of the year, by the United Nations Secretariat and the Division of Programme Planning and Budget of the Department of Management. This assesses the actual projected requirements for assessed contributions, based on real salary costs being incurred compared to pro forma costs. This increased the proposed allocation for 2013 from the United Nations programme budget. There was a slight variance of $0.148 million against this final budget in total expenses incurred.

(b) Voluntary contributions 2013

(i) Programme

Original budgets were based on the original projections utilized within the 2012-2013 biennium budget, which in turn were based on projected resources of $700 million in voluntary contributions for the period.

As the two-year budget period progressed, the budgets have been updated and reforecast appropriately, depending on current revenue and expenditure projections.

Total programme variances are $42.3 million, split as follows:

(a) Programme expenditures from regular resources are $9.7 million lower than the budget. As noted above, budgets are updated throughout the year, taking into account current estimates of expenditure in line with authorized spending limits based on expected funding receipts and available resources. The budgets are aligned to the extent possible within these spending limits and the annual work plans. The differences between the planned and actual expenditures are owing to: (i) actual delivery rates for programme averaging 80 per cent, which is better than the strategic plan target; (ii) actual receipts remained lower in 2013 than originally planned, and hence the budget itself has been lowered;

(b) Programme expenditures from other resources are $32.6 million lower than the budget. This relates to specific projects, with the budgets being based on targeted revenue figures expected over the period. Variance against budget is owing to the delivery rate being slightly better than 70 per cent, coupled with a number of programmes that budget over a multi-year period but which show expenses only for the current year, in particular the global trust funds. This reduces spending against total budget, and hence increases the variance.

(ii) Institutional budget (development effectiveness, United Nations development coordination and management activities)

The total variance against 2013 final institutional budget is $9.4 million. The majority of the variances were due to lower staff costs being incurred than were included within the original institutional budget, owing to staggered recruitment in line with the implementation of the regional architecture structure, which was approved in November 2012.

The total biennial budget shows an increase from the original budget owing to the implementation of the regional architecture structure and the updated approved budget from Executive Board decision 2012/6.

Basis adjustments

The budget is prepared on the modified cash basis, and the financial statements are prepared on a full accrual basis in compliance with IPSAS requirements. In order to reconcile the budgetary result to the cash flow statement, the non-cash elements are removed as basis differences. The principal adjustments that have an impact on the reconciliation between the budget and the statement of financial performance are as follows:

- Capital expenditures capitalized and depreciated over their useful life under accrual accounting (generally recorded as current year expenses in the budget);

- Under accrual accounting, employee benefit liabilities are reported in the statement of financial position, and movements in liabilities have an impact on the statement of financial performance;
- Unliquidated obligations are included in budget reporting but are not recognized under accrual accounting.

Timing differences

As the aggregate biennial budget has been annualized to show anticipated 2013 results, the budget and the financial statements both represent the year to 31 December 2013. As such, there are no timing differences in the reconciliation.

Presentation differences

Presentation differences are those differences in the format and classification schemes used in the statement of cash flow and in the statement of comparison of budget and actual amounts. As such, the presentation differences in the reconciliation relates to revenue.

Reconciliation: budgetary result with net cash flow

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on comparable basis as presented in the budget and actual comparative statement	(260 542)	–	(260 542)
Basis differences	(35 712)	(41 630)	(77 342)
Presentation differences	288 505	–	288 505
Actual amount in statement of cash flow	**(7 749)**	**(41 630)**	**(49 379)**

Note 25
Related party transactions

Governing bodies

UN-Women is governed by an Executive Board on the basis of resolution 64/289, which stipulates in paragraph 57 (b) that the General Assembly, the Economic and Social Council and the Executive Board of the Entity shall constitute the multi-tiered intergovernmental governance structure for the operational activities and shall provide operational policy guidance to the Entity. The Executive Board comprises 41 members (elected from five regional groups and one contributing group), who do not receive any remuneration from UN-Women.

The Board also engages with the Executive Boards of other United Nations operational entities in an effort to harmonize approaches to operational activities. Those engagements also provide opportunities for sharing experiences and coordinating programme work on gender equality and gender mainstreaming across the United Nations system. The work of the Executive Board is guided by its rules of procedure.

Key management personnel

Key management personnel are the Executive Director, two Assistant Secretaries-General and six senior Directors, as they have the authority for planning, directing and controlling the activities of the Entity and executing the mandate of UN-Women.

(Thousands of United States dollars)

Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration 2012*	*Outstanding advances*	*Outstanding loans*
9	1 810	43	720	2 573	56	–

The aggregate remuneration paid to key management personnel includes: net salaries; post adjustment; entitlements, such as allowances, grants and subsidies; and employer pension and health insurance contributions. Advances are those made against entitlements in accordance with staff rules and regulations. As at 31 December 2013, after-service health insurance and repatriation benefits for key management personnel included in employee benefits liabilities were $2.8 million as determined by actuarial valuation.

Note 26
Commitments and contingencies

(a) Open commitments

As at 31 December 2013, commitments of UN-Women for the acquisition of various goods and services contracted but not yet received amounted to $5.406 million.

(b) Lease commitments

As at 31 December 2013, UN-Women has future obligations for minimal lease payments as presented in the table below.

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Obligations for property leases:		
Within 12 months	6 152	4 528
1-5 years	19 819	16 272
Beyond 5 years	10 862	17 607
Total property lease obligations	**36 833**	**38 407**

The typical contractual leases of UN-Women are between one and 10 years, but some of the leases permit early termination within 30, 60 or 90 days. The lease for headquarters at the Daily News Building allows for termination seven years after commencement where UN-Women has no other office within the United States and makes a cancellation payment of $3.153 million. Leases often include provisions that allow for multiple renewals and are at rates considerably lower than the existing

market rates. The aggregate difference between the leases at contract rates and their respective market rates is recognized as contribution-in-kind revenue.

(c) Legal or contingent liabilities

As at 31 December 2013, UN-Women had two pending claims before the United Nations Dispute Tribunal. Owing to the uncertainty of the outcome of those claims, no impairment or allowance for loss has been recorded in these financial statements as the occurrence, amount and timing of any outflow is uncertain. The resolution of the pending proceedings will not have a material effect on the financial position or cash flows.

Note 27
Events after the reporting date

The reporting date of UN-Women is 31 December 2013. As at 30 April 2014, being the date the Executive Director of UN-Women authorized the issue of the financial statements for transmittal, there had been no material event, favourable or unfavourable, that occurred between the balance sheet date and the date of authorization that would have had an impact on these statements.

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